

Public Document Pack



PENSIONS PARTNERSHIP

BCPP JOINT COMMITTEE

AGENDA

Venue: Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

Date: Thursday, 29 September 2022

Time: 10.00 am

Membership:

Chair:-

Cllr Doug McMurdo Bedfordshire Pension Fund

Vice Chair

Cllr David Coupe Teesside Pension Fund

Membership:-

Cllr Mel Worth	Cumbria Pension Fund
Cllr Mark Abley	Durham Pension Fund
Cllr Nigel Wilkinson	East Riding Pension Fund
Cllr Eddie Strenziel	Lincolnshire Pension Fund
Cllr Patrick Mulligan	North Yorkshire Pension Fund
Cllr John Mounsey	South Yorkshire Pension Fund
Cllr Nick Harrison	Surrey Pension Fund
Cllr Wilf Flynn	Tyne & Wear Pension Fund
Cllr Christopher Kettle	Warwickshire Pension Fund

Scheme Member Representatives

Nicholas Wirz Tyne & Wear LPB

Terms of Reference of the BCPP Joint Committee

1. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.
2. The Joint Committee will provide effective engagement with the Authorities as the BCPP Pool vehicles are established and ultimately operated. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

The remit of the Joint Committee is:

2.1 Phase 2 – Post Establishment and Commencement of Operations

- 2.1.1 To facilitate the adoption by the Authorities of relevant contracts and policies.
- 2.1.2 To consider requests for the creation of additional ACS sub-funds (or new collective investment vehicles) and to make recommendations to the BCPP Board as to the creation of additional sub-funds (or new collective investment vehicles).
- 2.1.3 To consider from time to time the range of sub-funds offered and to make recommendations as to the winding up and transfer of sub-funds to the BCPP Board.
- 2.1.4 To review and comment on the draft application form for each additional individual ACS sub-fund on behalf of the Authorities prior to the Financial Conduct approval (or the draft contractual documents for any new collective investment vehicle).
- 2.1.5 To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.6 To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.7 To formulate and propose any common conflicts policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.8 To agree on behalf of the Authorities high level transition plans on behalf of the Authorities for approval by the Authorities for the transfer of BCPP assets.
- 2.1.9 To oversee performance of the BCPP Pool as a whole and of individual sub-funds by receiving reports from the BCPP Board and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
- 2.1.10 To employ, through a host authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

AGENDA

Item	Subject	Page
1	Apologies/Declarations of Interest	
2	Minutes of the meeting held on 20 June 2022	5 - 10
3	Joint Committee Election Results - Jo Garrison	11 - 12
4	Joint Committee Budget - Ian Bainbridge	13 - 14
5	Responsible Investment Update - Jane Firth	15 - 18
6	Summary of Investment Performance and Market Returns - John Harrison	19 - 26
	Exclusion of the Public and Press	
*7	Governance Review - Rachel Elwell and Ian Bainbridge (Exemption Paragraph 3)	27 - 64
*8	Net Zero Implementation Plan - Mark Lyon (Exemption Paragraph 3)	65 - 110
*9	TCFD Consultation - Rachel Elwell and Jane Firth (Exemption Paragraph 3)	111 - 116
10	Annual Reviews - Mark Lyon	
10.1	UK Listed Equity (Exemption Paragraph 3)	117 - 124
10.2	Overseas Developed Equity Sub-Fund (Exemption Paragraph 3)	125 - 132
10.3	Alternatives (Exemption Paragraph 3)	133 - 144
*11	CEO Report - Rachel Elwell (Exemption Paragraph 3)	145 - 166
*12	Performance Report - Mark Lyon and Graham Long (Exemption Paragraph 3)	167 - 178
13	Update on Emerging Matters - Rachel Elwell/Fiona Miller/Ian Bainbridge	Verbal Report
	Glossary of Terms	

Next meeting 30th November 2022

This page is intentionally left blank



Minutes of the Border to Coast Joint Committee

Monday, 20 June 2022 - Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

Present

Members

Councillor Doug McMurdo (Chair)
Councillor Mark Abley, Councillor David Coupe, Councillor Wilf Flynn, Councillor Nick Harrison, Councillor Christophe Kettle, Councillor John Mounsey, Councillor Patrick Mulligan, Councillor Eddie Strengiel and Councillor Nigel Wilkinson

Deirdre Burnet and Nicholas Wirz (Scheme Member Representatives)

Border to Coast Ltd Representatives

Rachel Elwell, John Harrison, Graham Long and Ewan McCulloch

Fund Officers

Ian Bainbridge, Alison Clark, Paul Cooper, Jo Garrison, Neil Mason, Julie McCabe, Victoria Moffett, Tom Morrison, Nick Orton, Jo Ray, Gill Richards and Sharon Smith

Statutory Officer Representative(s)

Andy Felton

Apologies were received from

Councillor Mel Worth, Councillor John Holtby, Councillor Anne Walsh and Chris Hitchen

1 APOLOGIES/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting.

The Chair acknowledged the sad passing of Cllr John Horner which had followed the earlier passing of Cllr Bob Stevens. The Committee and officers stood in remembrance.

New members Cllrs Mark Abley, Christopher Kettle and Nigel Wilkinson were welcomed to the Joint Committee.

The Chair thanked outgoing members Cllrs Bill Kellett and Michael Lee for their contribution to the work of the Committee.

Apologies were noted as above.

2 MINUTES OF THE MEETING HELD ON 8 MARCH 2022

RESOLVED – That, subject to an amendment showing Neil Mason as present, the minutes of the meeting held on 8th March 2022 be agreed as a true record.

3 UPDATE ON THE IMPACT OF ELECTIONS AT EACH FUND

The Committee discussed the potential issues caused by member turnover due to election results and also changes to local government arrangements in some Partner Funds areas and the possible implications of these.

4 ELECTIONS AND NOMINATIONS 2022 - IAN BAINBRIDGE

I Bainbridge reminded members that J Garrison had written out for nominations for the positions of Chair, Vice-Chair and one NED, the deadline for nominations was noted as 8th July. Partner Funds were asked to submit a nil return if they did not wish to nominate.

It was noted that, following collation of the nominations, a ballot would be conducted by email.

5 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

A report was considered which presented the Committee's budget.

RESOLVED – That members:

- i) Note the final budget position for 2021/22.
- ii) Note the budget position for 2022/23.

6 MARKET REVIEW - JOHN HARRISON

J Harrison presented a report which provided an overview of the macroeconomic and market environment, the performance of Border to Coast funds and the medium-term investment outlook.

It was noted that the dominant economic issue at the moment was the return of inflation which had risen not only suddenly but unexpectedly. Supply chain issues, food shortages and rising energy prices in the wake of Russia's invasion of Ukraine had contributed to the inflation shock, as had loose monetary policy over the last 10 years.

Consumer confidence was falling sharply and consensus economic forecasts had deteriorated significantly over the last few weeks with slower growth and higher inflation in most developed countries.

It was noted that markets had already discounted less benign economic times ahead. The resurgence of inflation had resulted in significant falls in both bond and equity indices. Growth stocks and speculative investments had fared even worse.

A table within the report showed performance data for the ACS funds to 31st March 2022 which varied by fund.

The report concluded that an outlook of higher and unpredictable inflation seemed likely to be difficult for bond markets but equity market valuations were less stretched and appeared to have discounted much of the short-term economic downturn.

Falling equity and bond markets had reinforced the diversification benefits of alternatives.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

7 GOVERNANCE REVIEW - RACHEL ELWELL & IAN BAINBRIDGE

A report was considered which provided details of the progress of the Governance Review.

It was noted that a four-stage process had been developed which was outlined in section 3 of the report. The first two stages of the review had been completed and the third stage, which involved the input of an external legal advisor for the Partner Funds, was well progressed.

It was further noted that the annual review of the Governance Charter had been postponed pending the outcome of the Governance Review.

RESOLVD – That the Joint Committee note the report and the current progress on the Governance Review.

8 SUMMARY OF EXTERNAL EQUITY FUNDS' ANNUAL REVIEWS - GRAHAM LONG

G Long presented a summary of the external Equity Funds' annual reviews.

It was noted that detailed reviews had been completed for Global Equity Alpha Fund, UK Equity Alpha Fund and Emerging Markets Equity Fund and the principal findings discussed with the Board. The paper summarised the findings and highlighted issues for the Joint Committee's attention.

RESOLVED – That the Joint Committee notes the report.

9 **EMERGING MARKETS ALLOCATION IN GLOBAL EQUITY ALPHA - PROPOSED CHANGES TO STRUCTURE - GRAHAM LONG**

A report was submitted which presented a planned addition of a strategic asset allocation to Emerging Markets in the Global Equity Alpha Fund (GEA). This addressed a known structural gap that was identified at fund inception, which was accepted at the time with a plan to revisit in due course.

It was noted that the Board had approved a proposal for an allocation to each of a China manager and Emerging Markets ex-China manager and had delegated authority to the CEO to implement the allocation to Emerging Markets within GEA.

Section 3 of the report set out the case for an allocation to Emerging Markets within GEA and Section 4 then detailed the risks of investing in China as well as the investment case and set out the portfolio risk and ESG impacts.

The Committee discussed the report at length, expressing a variety of views. In particular concerns were raised about the weighting to Emerging Markets following this change.

R Elwell suggested that a FAQs was circulated to all Partner Funds; Border to Coast officers would work with Partner Fund officers over the next few weeks so that there was a good understanding of the issues raised.

RESOLVED – That the Joint Committee note the report whilst acknowledging there was still work to be done.

10 **CEO REPORT MAY 2022**

R Elwell presented the CEO report for the period since the last Joint Committee meeting.

Highlights included:

- Interactions with Partner Funds.
- An update on fund launches.
- An update on progress from a corporate functions perspective and the expected outturn for the Operation Budget,
- A brief discussion of the world external to pooling.
- An overview of key business risks.

Prior to the meeting, a draft letter to Teresa Clay at the Department of Levelling Up, Housing and Communities from Rachel Elwell and Ian Bainbridge had been shared with Committee members. This was in response to Teresa Clay's request to share thoughts on how the Government's Levelling Up agenda could be reflected in LGPS investment strategy to help inform the Government's development of the

consultation expected in the autumn. The Joint Committee noted that they were comfortable with the draft letter.

RESOLVED – That the report be noted.

11 PERFORMANCE REPORT - MARK LYON & GRAHAM LONG

A report was submitted which summarised the performance and activity of the Border to Coast Investment Funds over Q1 2022.

RESOLVED – That the report be noted.

**12 STANDING ITEM - UPDATE ON EMERGING MATTERS - RACHEL ELWELL,
FIONA MILLER, IAN BAINBRIDGE**

None.

CHAIR

This page is intentionally left blank



Border to Coast Joint Committee

Date of Meeting: 29th September 2022

Report Title: Election Results

Report Author: Jo Garrison (Governance Manager - SYPA)

1.0 Executive Summary:

1.1 This report provides members with details of the results of the following elections which were carried out remotely over the summer:

- Chair and Vice Chair of the Joint Committee
- Non-Executive Director to sit on the Border to Coast Company Board
- Since the elections were conducted one of the Scheme Member Representatives has submitted their resignation.

2.0 Recommendation:

2.1 It is recommended that the contents of this report are noted and that the position of Vice Chair is formally confirmed.

3.0 Election Results

3.1 As previously reported the terms of the Inter Authority Agreement (IAA) together with the Joint Committee's Constitution and other subsequent decisions and agreements require that elections are held for the following roles

- Chair and Vice Chair of the Joint Committee
- Partner Fund Nominated Non-Executive Director for a term of two years.

3.2 Arrangements were made for South Yorkshire Pensions Authority to conduct the elections remotely over the summer. The results were as follows:

- Chair of the Joint Committee – Councillor Doug McMurdo the Chair of the Bedfordshire Pension Fund was declared elected unopposed.
- Vice Chair of the Joint Committee – no nominations were received. Members are invited to accept nominations for the position of Vice Chair at the meeting on 29 September 2022.
- Partner Fund Nominated Non-Executive Director – Cllr David Coupe of Teeside Pension Fund was nominated and elected in this role.

3.3 Given that the Governance Review has recommended a three-year term for the Shareholder Nominated Non-Executive Directors and this proposal has not encountered any opposition it is proposed that Cllr Coupe be appointed for three years in order to move to the new arrangements at the earliest opportunity.

3.4 Deirdre Burnet one of the Scheme Member representatives on the Joint Committee has submitted their resignation since the elections were concluded. As there are no specific provisions in relation to the filling of so called “casual vacancies” members are invited to consider how they would wish to approach this situation. Given Ms Burnet’s service on the Committee since the institution of the scheme member representatives members may also wish to formally express their thanks for her service.

4.0 Recommendation

4.1 It is recommended that

- a. The results set out in the body of this report be noted
- b. Nominations for Vice Chair be invited at the meeting.
- c. The Committee agree to the appointment of Cllr David Coup as a Non-Executive Director for a term of three years.
- d. Members consider the approach to the filling of a casual vacancy for a scheme member representative.

Report Author:

Jo Garrison – Corporate Manager – Governance South Yorkshire Pensions Authority.

jgarrison@sypa.org.uk

01226 777418



Border to Coast Joint Committee

Date of Meeting: 29th September 2022

Report Title: Joint Committee Budget

Report Sponsor: Ian Bainbridge, Chair Officer Operations Group

1.0 Recommendation

1.1 The Joint Committee is asked to note the budget position for 2022/23;

2.0 2022/23 Joint Committee Budget

2.1 At the Joint Committee meeting in March 2022 a budget of £40,000 was approved for 2022/23. This is consistent with the budget in previous years.

2.2 The Budget is intended to cover costs incurred by the Joint Committee and the partner funds, including the secretarial services to convene and run meetings, and for collective advice and support (internal from partner funds and external sources) which may be required from time to time by all partner funds.

2.3 It is also considered reasonable that this budget is used to cover travel costs and expenses for any members or officers who are attending meetings to represent all partner funds. This will include but will not be limited to meetings with the Department of Levelling Up, Housing and Communities (DLUHC). This budget will not be used where members and officers are attending meetings to represent their own funds including Joint Committee meetings and Officer Operations Group Meetings.

2.4 The budget will also be used to cover travel expenses for scheme member representatives appointed as non-voting members to the Joint Committee. This is because they will be deemed to be representing the scheme members from all partner funds.

2.5 In line with the cost sharing principles these costs will be shared equally between the partner funds.

2.6 As the time of writing total expenditure incurred for the year to date against this budget was £20,300. This all relates to legal costs for the review of the Border to Coast Governance documentation.

2.7 Other expenditure which will be incurred on the current year, includes

- Secretariat support to the Joint Committee, from South Yorkshire Pensions Authority.
- Legal work to review the Global Property legal documentation.
- Travel and subsistence for the scheme member representatives on the Joint Committee.

3.0 Conclusion

3.1 For 2022/23 the expenditure incurred to date is within the Joint Committee Budget.

Report Author:

Ian Bainbridge, ian.bainbridge@southtyneside.gov.uk

Further Information and Background Documents:

N/A



Border to Coast Pensions Partnership Ltd Joint Committee

Date of Meeting: 29th September 2022

Report Title: Responsible Investment update

Report Sponsor: Rachel Elwell - CEO

1 Executive Summary

- 1.1 Border to Coast is a strong advocate for Responsible Investment (RI), which includes embedding environmental, social and governance issues into investment decision making and practicing active ownership through voting and engagement. This report provides an update on RI activity and reporting over the last six-month period.
- 1.2 To demonstrate our commitment as a responsible investor we have published several reports detailing our stewardship activity and our approach to managing climate-related risks and opportunities. All reports can be found on our website

2 Recommendations

- 2.1 The Joint Committee is asked to note the report.

3 Responsible Investment update

- 3.1 We were previously a signatory to the Financial Reporting Council (FRC) UK Stewardship Code but with the introduction of the updated Code in January 2020, all signatories were required to reapply. Last year's Annual Responsible Investment and Stewardship Report was developed considering feedback previously received directly from the FRC and its 'Early View of Reporting' publication.
- 3.2 There are two windows for signatories to apply to become a signatory, the first being the 30th April and the second the 31st October. Due to our reporting year and governance timeline we applied to become a signatory as part of the October 2021 deadline for signatories. We received confirmation from the FRC that we had been successful in becoming a signatory in March 2022 along with feedback for where we could make further improvements.
- 3.3 To retain signatory status, we need to reapply each year by submitting a report covering the previous reporting year's stewardship activity. We have taken on board the feedback from the FRC in developing this year's Annual Responsible Investment & Stewardship Report. This was published in July and it will be submitted to the FRC to meet the end of October 2022 deadline. It will then be evaluated against the 12 Principles, and we will be notified in early Spring if we have been successful in retaining signatory status. The Report can be found on our [website](#).

- 3.4 Border to Coast is a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD) and has, for the third year running, reported in line with its recommendations. This report has continued to build on previous year's, demonstrating improvements across the four key TCFD areas: Governance, Strategy, Risk Management, and Metrics and Targets. This report includes the development and publication of the Climate Change Policy and our net zero commitment and can be found on our [website](#).
- 3.5 We produce quarterly and annual reports detailing our responsible investment activities. The quarterly stewardship reports produced by Border to Coast and Robeco, along with the voting reports can also be found on our [website](#).
- 3.6 The Occupational Pension Fund Stewardship Council (OPSC) was launched in July 2021 and marked its first anniversary with a full Council meeting and celebration event attended by Border to Coast. Members asked for topics for consideration in next year's work plan which were then voted on. Areas for this next 12 months include the continuation of the work on streamlining reporting and working with the regulators. New themes for inclusion cover private assets and TCFD and Net Zero.
- 3.7 This proxy voting season we have seen a large year-on-year increase in the number of company climate transition plans and climate-related shareholder proposals being put to shareholders. In total we have voted on 15 company "say-on-climate" items, of which we only supported one. We have also voted against a number of companies in high emitting sectors for an insufficient response to climate change. We are in the process of following up with companies where we have voted against directors.
- 3.8 We are a supporter of the Workforce Disclosure Initiative (WDI), a collaborative engagement initiative which encourages listed companies to improve reporting and accountability on workforce issues in their direct operations and supply chains. The initiative is now supported by over 60 investors with over US\$10.5 trillion in AUM. This year we have increased the number of companies we are engaging with to encourage them to respond to the survey request for data.
- 3.9 As a member of the Institutional Investor Group on Climate Change (IIGCC) we have signed the annual Global Investor Statement to Governments along with over 530 other investors representing US\$ 39 trillion in AUM. The Statement is being presented to the UN General Assembly in September.
- 3.10 We recently joined a new collaborative engagement initiative for human rights and social issues led by the Principles for Responsible Investment (PRI). Engagement will initially be focused on companies in the mining and renewables sectors and will support our 'social' priority engagement theme.
- 3.11 The contract for the Voting and Engagement provider has been in place for 4 years and is due for renewal. We are using the LGPS Framework for Stewardship Services and the Invitation to Further Competition was issued at the end of July and is aligned with the timetable to have a new contract in place by Mid-December.

4 Risks

- 4.1 Responsible Investment and sustainability are central to Border to Coast's corporate and investment ethos and a key part of delivering our partner funds' objectives. There may be reputational risk if we are perceived to be failing in this area and our management of climate risk.

4.2 There is a risk that insufficient resources are in place to realise the Responsible Investment strategy.

5 Conclusion

5.1 As a responsible investor we publish quarterly and annual reports on stewardship (voting and engagement). We also publish a TCFD report which demonstrates our approach to the management of climate change risks and opportunities; all reports can be found on the website.

5.2 We have continued to hold companies to account through voting and engagement, supporting collaborative initiatives and evaluating new opportunities that can support our priority engagement areas.

5.3 The Committee is asked to note the report.

6 Author

Jane Firth, Head of Responsible Investment, jane.firth@bordertocoast.org.uk
13 September 2022

Important Information

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511). The information provided in this paper does not constitute a financial promotion and is only intended for the use of Professional Investors. The value of your investment and any income you take from it may fall as well as rise and is not guaranteed. You might get back less than you invested. Issued by Border to Coast Pensions Partnership Ltd, Toronto Square, Leeds, LS1 2HJ.

This page is intentionally left blank



Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: 29 September 2022

Report Title: Summary of Investment Performance and Market Review

Report Sponsor: John Harrison (Interim CIO)

1 Executive Summary

1.1 This report provides an overview of the macroeconomic and market environment, the performance of Border to Coast funds and the medium-term investment outlook.

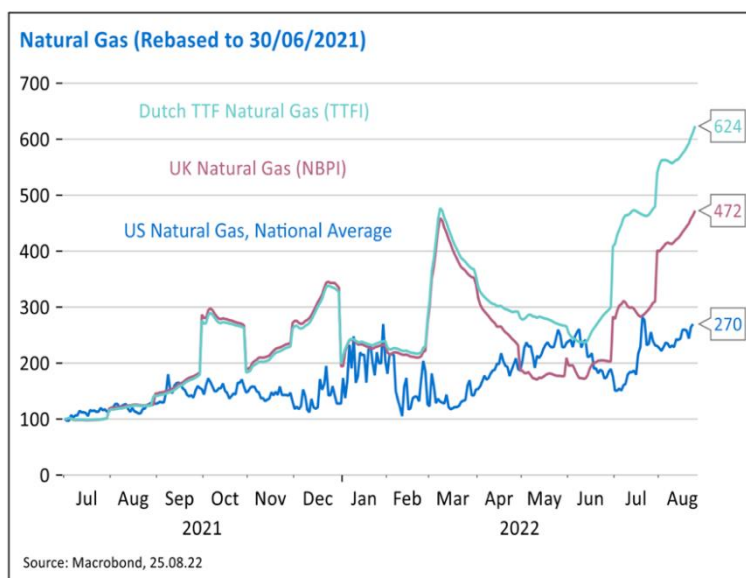
2 Recommendations

2.1 That the report is noted.

3 Macroeconomic environment

3.1 Inflation remains the dominant economic issue of the moment. The combination of tight labour markets, supply chain issues, food shortages and rising energy prices in the wake of the Russian invasion of Ukraine has triggered a sharp increase in costs across a broad swathe of the economy.

3.2 The scale of the rise in energy prices is extraordinary as highlighted in the chart below showing natural gas price movements since mid-2021. Even the US, with large domestic energy production, has seen prices almost treble, with much larger moves in Europe.



3.3 The challenge facing central banks is how to avoid inflation becoming embedded through wage demands and other behavioural adjustments. For over 20 years expectations of modest and stable inflation in developed markets have underpinned economic activity and allowed a massive increase in money supply without prompting inflation. Given the scale of the financial stimulus, as seen in the US Federal Reserve balance sheet below, the risk of money supply exacerbating inflation pressures is high, but central banks may find it difficult to dampen demand through higher interest rates and drain excess liquidity through Quantitative Tightening without tipping economies into recession.

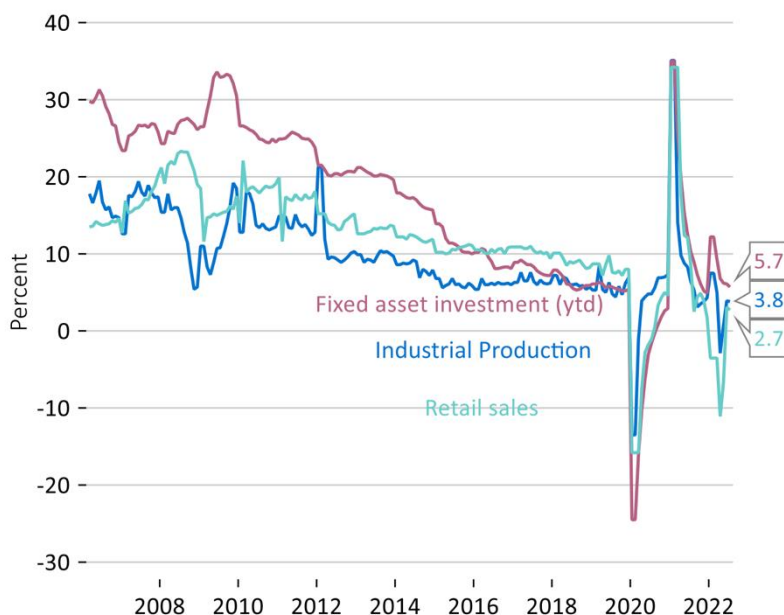


3.4 The potential for inflation to become embedded is evident from the increase in wage costs in the US. Historically US wages have tended to fall when the economy is weak, but that is not the case at present.



3.5 Historically developed economies have been supported during economic downturns by the strength of demand from Asia and especially China. That is no longer the case. The rate of growth in China has been moderating for many years, which is an inevitable consequence of the economy's increased size. In recent years, China's zero-COVID policy has been hugely disruptive, as shown below, with regional lockdowns undermining economic activity and confidence.

Chinese Economic Data



Source: Macrobond, 25.08.22

3.6 The economic crystal ball is as cloudy as ever. Inflation will probably peak soon as energy prices moderate and supply chain issues abate, but quite how quickly or how far is uncertain. Nonetheless it does seem likely that inflation and interest rates will remain higher than most developed markets have experienced over most of the last 10 years.

Consensus economic forecasts for 2023

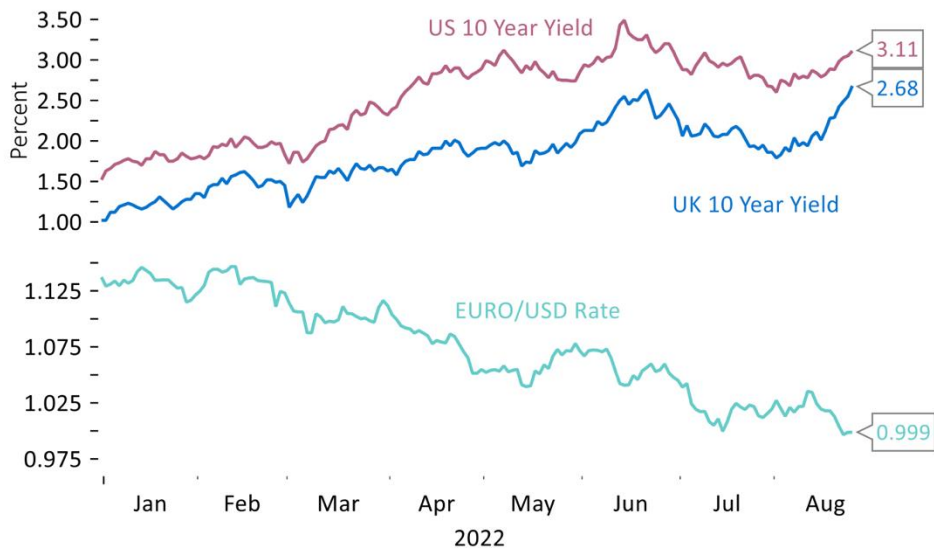
As at 13 Sept 2022	Real GDP	CPI Inflation	Unemployment	10 year Sov Bond Yield
UK	-0.1%	6.6%	4.4%	3.1%
US	0.9%	3.7%	4.1%	3.3%
Germany	0.3%	4.7%	5.4%	1.7%
Japan	1.6%	1.3%	2.5%	0.2%
China	5.2%	2.3%	3.9%	2.7%

Source: Bloomberg

Market valuation

3.7 The deteriorating inflation outlook has been reflected in higher bond yields across developed markets and also in currency movements. It is not just sterling that has been weak. The impact of the Russian invasion on energy prices in Europe has been far higher than elsewhere and has undermined the euro relative to the US dollar. Currency weakness relative to the US dollar is another contributor to inflation pressures across Europe.

Government Bond Yields and the Euro



Source: Macrobond, 25.08.22

3.8 Markets have already discounted much tougher economic times ahead. The resurgence of inflation has resulted in significant falls in both bond and equity indices. Even gold, the traditional safe haven asset, has fallen in value.

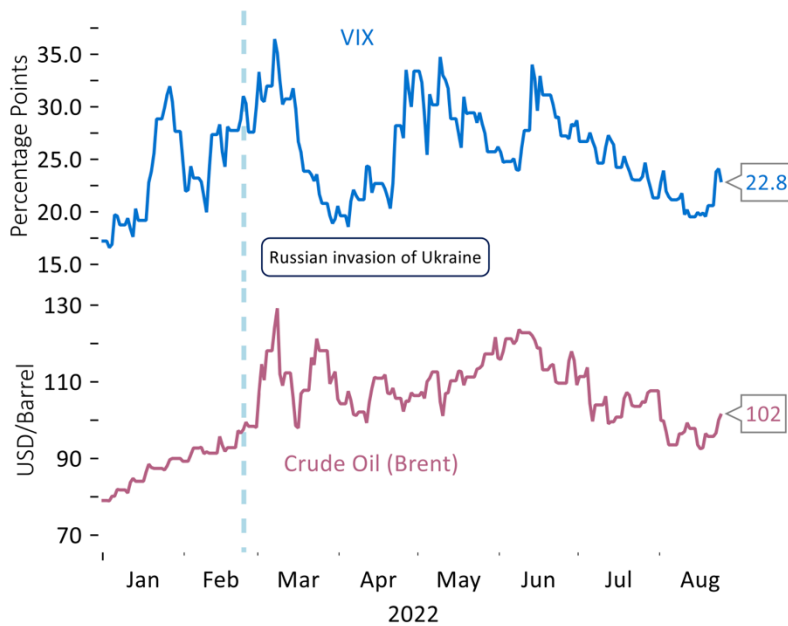
Global Asset Performance, year-to-date



Source: Macrobond, 25.08.22

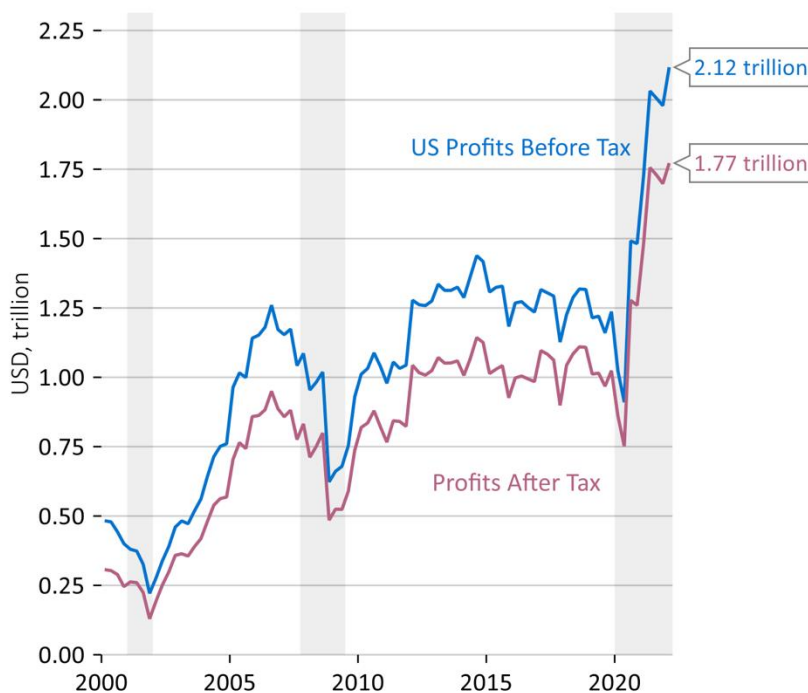
3.9 Given the economic environment, it is perhaps surprising that markets have not fallen further. Indeed, while market volatility picked up sharply in the run up to and immediate aftermath of the Russian invasion, it has stabilised over the summer months, in part reflecting the downward trend in oil prices.

S&P500 Volatility (VIX) & Crude Oil (WTI)



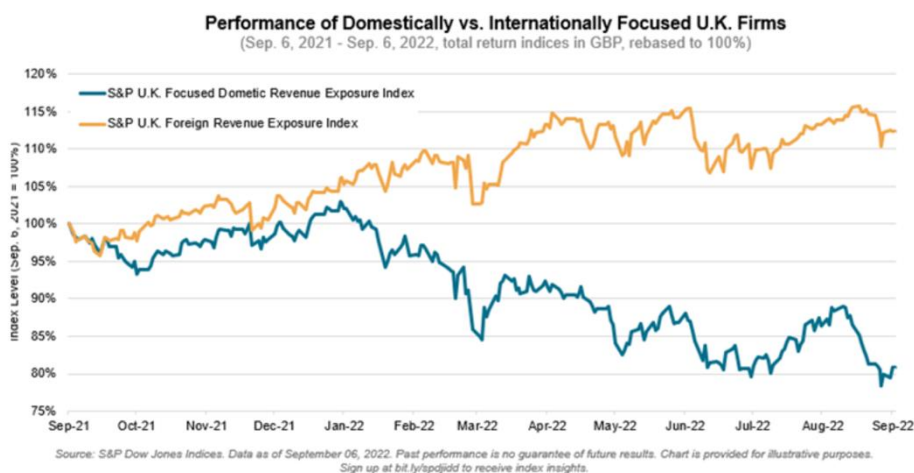
Source: Macrobond, 25.08.22

- 3.10 The main explanation for the resilience of equity markets over the summer has been the continued strength of corporate profitability, especially in the US. Profits are largely backward-looking measures and may yet be choked off by rising unit labour costs and interest rates. Nonetheless, the scale of the profit uplift has been a positive surprise for investors and leaves businesses with stronger balance sheets.



Source: Macrobond, 25.08.22

- 3.11 Currency movements have had a significant impact on relative performance within equity markets. For example, in the UK, companies reliant on domestic earnings have performed significantly worse than those generating earnings overseas.



4 Fund Performance

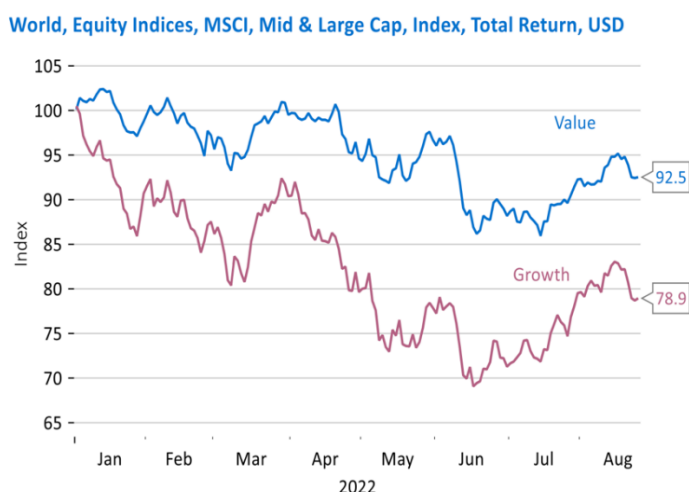
4.1 The table below shows performance data for the ACS funds (listed assets) to 30th June 2022 for funds with more than 12 months since inception.

% since inception	Type	Launch date	Return	Benchmark	Relative
Equities					
UK Listed Equities	Internal	July 2018	2.9	1.9	+1.0
UK Equity Alpha	External	Dec 2018	3.5	5.2	-1.6
Overseas Developed	Internal	July 2018	7.6	6.3	+1.3
Global Equity Alpha	External	Oct 2019	7.2	8.7	-1.5
Emerging Market Equities	Hybrid	Oct 2018	3.6	6.0	-2.3
Fixed Income					
Sterling Investment Grade Credit	External	Mar 2020	-0.9	-2.1	+1.1
Sterling Index Linked Bonds	Internal	Oct 2020	-16.7	-17.0	+0.4

* Not annualised

4.2 The most surprising outcome given the upturn in inflation is the Sterling Index Linked Bond fund with an annualised return since inception of -16.7%. This reflects the remarkable fall in the index linked gilt benchmark in the last three months as real yields have risen. The fund has exceeded its relative return target, but this outperformance has been dwarfed by the scale of the benchmark move.

4.3 Internally managed equity funds in developed markets have consistently performed well. The funds do not take large views in relation to region, size or 'style', so have been less impacted by the volatility of style rotation that has been a feature of recent years.



4.4 By contrast, externally managed equity capabilities have been buffeted by style volatility. During the pandemic large growth stocks, particularly in the technology and health sectors, performed strongly. More recently growth stocks have led the market falls, as shown in the chart above. This has been a challenging environment for our external managers.

Looking forward

4.5 The combination of high inflation and the risk of recession is an uncomfortable environment for investors, especially when assessing strategic asset allocation for the next three years.

4.6 Income generating assets will no doubt be an important consideration in the strategic assessments of the Partner Funds. Bond yields are much higher than a year ago, but sovereign bonds in Europe still offer negative real returns and remain vulnerable should inflation persist. Yield spreads for corporate bonds have also widened and are now closer to historic norms.

4.7 Equity valuations are also closer to historic averages, but a lot depends on the future outlook for profits. While financial markets are discounting a recession in developed economies, valuations could be undermined if the downturn is longer or deeper than currently expected.

4.8 Investors will continue to look for diversified sources of investment return, particularly from assets offering explicit or implicit inflation protection. This may encompass a broad range of alternative assets and strategies, including real assets, such as infrastructure and property.

4.9 With valuations relative to earnings broadly in line with historic averages, equities seem likely to remain the cornerstone of growth strategies for long-term investors.

5 Author

John Harrison (Interim CIO)
John.harrison@bordertocoast.org.uk
14 September 2022

Important Information

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511). The information provided in this paper does not constitute a financial promotion and is only intended for the use of Professional Investors. The value of your investment and any income you take from it may fall as well as rise and is not guaranteed. You might get back less than you invested. Issued by Border to Coast Pensions Partnership Ltd, Toronto Square, Leeds, LS1 2HP.

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



PENSIONS PARTNERSHIP

Commonly Used Abbreviations

ACS	Authorised Contractual Scheme, the collective investment scheme used by Border to Coast for asset pooling
AUM	Assets Under Management
BPS (basis points)	One basis point is a unit equal to one hundredth of a percentage point
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
COO	Chief Operating Officer
COP	Conference of Parties, A UN conference on climate change
CPI	Consumer Price Index
CSR	Corporate Social Responsibility, a term under which companies report their social, environmental and ethical performance
DAA	Dynamic Asset Allocation
DGF	Diversified Growth Fund
EM	Emerging Markets
EMEA	Europe, Middle East & Africa
ESG	Environmental, Social and Governance – factors in assessing an investments sustainability
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSS	Funding Strategy Statement
FTA	FTSE Actuaries UK Gilts Index Series
FTSE	Financial Times Stock Exchange
GAAP	Generally Accepted Accounting Practice
GEM	Global Emerging Markets
GRESB	Global ESG Benchmark for Real Assets
HMT	Her Majesty’s Treasury
Infra	Infrastructure
IRR	Internal Rate of Return
ISS	Investment Strategy Statement
JC	Joint Committee
LGA	Local Government Association
LGPS	Local Government Pension Scheme
LAPFF	Local Authority Pension Fund Forum

LIBOR	London Inter Bank Offered Rate, a benchmark interest rate at which global banks lend to one another
LPB	Local Pension Board
LSE	London Stock Exchange
MAC	Multi Asset Credit
MHCLG	Ministry of Housing, Communities and Local Government
MSCI	Formerly Morgan Stanley Capital International, publisher of global indexes
NED	Non-Executive Director
NT	Northern Trust, Custodian
OECD	Organisation for Economic Co-operation and Development
PF	Pension Fund
PFC	Pension Fund Committee
PLSA	Pensions and Lifetime Savings Association
PRI	The UN-supported Principles for RI
RI	Responsible Investment
RPI	Retail Price Index
S&P	Standard and Poor's, ratings agency and provider of equity indices
S151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board
SDG	The UN's Sustainable Development Goals
SILB	Sterling Index Linked Bonds
SONIA	Sterling Over Night Index Average, the overnight interest rate paid by banks
TCFD	Taskforce on Climate Related Financial Disclosures
TER	Total Expense Ratio
TPR	The Pensions Regulator



PENSIONS PARTNERSHIP

Commonly Used Terms

A

- Active Management
 - Appointing investment professionals to manage the performance of the Fund's mandates, making buy, hold and sell decisions about the assets with a view to outperforming the market.
- Active Member
 - A current employee who is contributing to the pension scheme.
- Actuary
 - An independent professional who advises the Council in its capacity as Administering Authority on the financial position of the Fund.
- Actuarial Valuation
 - The Fund's actuary carries out a valuation every three years and recommends an appropriate rate of contributions for each of the Fund's participating employers for the following three years. The valuation measures the Fund's assets and liabilities, with contribution rates set according to the Fund's deficit or surplus.
- Additional Voluntary Contributions (AVCs)
 - An option available to active members to build up a pot of money which is then used to provide additional pension benefits. The money is invested separately with one of the Fund's external AVC providers.
- Administering Authority
 - The LGPS is run by local Administering Authorities. An Administering Authority is responsible for maintaining and investing its own fund for the LGPS.
- Admission/Admitted Body

- An organisation whose employees can become members of the Fund by virtue of an admission agreement made between the council in its capacity as Administering Authority and the organisation. It enables contractors who take on council services to offer staff transferred to the organisation continued membership of the LGPS.
- Asset Allocation
 - The apportionment of the Fund's assets between different types of investment (or asset classes). The long-term strategic asset allocation of the Fund will reflect the Fund's investment objectives and is set out in the Investment Strategy Statement.
- Asset Pooling
 - In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: 'significantly reducing costs whilst maintaining investment performance'.
- Authorised Contractual Scheme
 - A collective investment scheme used by BCPP. An ACS is a form of investment fund that enables a number of investors to 'pool' their assets and invest in a professionally managed portfolio of investments, typically gilts, bonds and quoted equities. Regulated by the Financial Conduct Authority, it is 'tax transparent' making it particularly useful for pooling pension assets.

B

- Benchmark
 - A measure against which the investment policy or performance of an investment manager can be compared.
- Bond
 - A debt investment with which the investor loans money to an entity (company or government) that borrows the funds for a defined period of time at a specified interest rate.
- Book cost
 - The value of an asset as it appears on a balance sheet, equivalent to how much was paid for the asset (less liabilities due). Book cost often differs substantially from market value.
- Broker
 - An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor.
- Border to Coast Pension Partnership
 - The Fund's chosen asset pool. Border to Coast has 11 Partner Funds who collectively have around £45bn of assets.

- Border to Coast Joint Committee
 - As part of their oversight, Border to Coast Partner Funds formed a Joint Committee which consists of the Chairs of each of the Partner Fund Pension Committees together with other non-voting representatives.

C

- CARE (Career Average Earnings)
 - From 1 April 2014, the LGPS changed from a final salary scheme to a Career Average (CARE) scheme. The LGPS remains a defined benefit scheme but benefits built up from 2014 are now worked out using a member's pay each scheme year rather than the final salary at leaving.
- Cash Equivalent Value (CEV)
 - This is the cash value of a member's pension rights for the purposes of divorce or dissolution of a civil partnership.
- Consumer Price Index (CPI)
 - A method of measuring the changes in the cost of living, similar to the Retail Price Index. Since April 2011 LGPS pensions are increased annually in line with movement in the Consumer Price Index during the 12 months to the previous September.
- Commutation
 - A scheme member may give up part or all of the pension payable from retirement in exchange for an immediate lump sum.
- Convertible Shares
 - Shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.
- Corporate Governance
 - The system by which companies are run, and the means by which they are responsible to their shareholders, employees and other stakeholders.
- Covenant
 - The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pensions obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
- Creditors
 - Amounts owed by the pension fund.
- Custodian
 - A financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments.

D

- Death Grant
 - A lump sum paid by the Fund to the dependents or nominated representatives of a member who dies.
- Debtors
 - Amounts owed to the pension fund.
- Deferred Member/Pensioner
 - A scheme member who has left employment or otherwise ceased to be an active member of the scheme who retains an entitlement to a pension from the Fund.
- Deficit
 - The extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores future build-up of pension (which in effect is assumed to be net by future contributions).
- Defined Benefit Scheme
 - A pension scheme like the LGPS where the benefits that will ultimately be paid to the employee are fixed in advance and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the future pension promise.
- Denomination
 - The face value of a bank note, coin or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction or the currency a financial asset is quoted in.
- Derivative
 - Used to describe a specialist financial instrument such as options or future contracts. These financial instruments are agreements to buy or sell something, under terms laid out in a contract.
- Designating Body
 - Organisations that can designate employees for access to the LGPS. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, among others, can be designated for membership of the scheme.
- Discretion
 - The power given by the LGPS to enable a participating employer or Administering Authority to choose how they will apply the scheme in respect of several of its provisions. For some of these discretions it is mandatory to pass resolutions to form a policy as to how the provisions will apply. For the remaining discretionary provisions, a policy is advised.

- Direct Property
 - Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.
- Diversified Growth Funds (DGF)
 - An alternative way of investing in shares, bonds, property and other asset classes. DGFs are funds that invest in a wide variety of asset classes in order to deliver a real return over the medium to long-term. The Fund's DGF o managed by BlackRock.
- Dividend
 - Distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. The amount of a dividend is quoted in the amount each share receives or in other words dividends per share.
- Dividend Yield
 - An indication of the income generated by a share, calculated as Annual Dividend per Share/Price per Share.

E

- Employer Contribution Rates
 - The percentage of an employee's salary participating employers pay as a contribution towards the employees LGPS pension.
- Employer Covenant
 - The covenant is an employer's legal obligation and financial ability to support their defined benefit (DB) obligation now and in the future.
- Emerging Markets
 - There are about 80 stock markets around the world of which 22 markets are generally considered to be mature. The rest are classified as emerging markets.
- Equities
 - Ordinary shares in UK and overseas traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.
- ESG
 - ESG is the consideration of environmental, social and governance factors alongside financial ones in the investment decision-making process. E, S and G are the three key factors in assessing an investment's sustainability.

F

- Fiduciary Duty
 - Fiduciary duties exist to ensure that those who manage other people's money act in the beneficiaries' interests rather than their own.

- Financial Instruments
 - Tradable assets of any kind, which can be cash, evidence of an ownership interest in an entity or a contractual right to receive or deliver cash or another financial instrument.
- Final Salary Scheme
 - An employer pension scheme, the benefits of which are linked to length of service and the final salary of the member (also known as defined benefit).
- Fixed Interest Securities
 - Investments, mainly in Government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date that can be traded on a recognised stock exchange in the meantime.
- FTSE All-Share
 - An arithmetically weighted index of leading UK shares (by market capitalisation) listed on the London Stock Exchange (LSE). The FTSE 100 Index covers only the largest 100 companies.
- Fund of Funds
 - A fund that holds a portfolio of other investment funds.
- Futures Contract
 - A contract to buy goods at a fixed price and on a particular date in the future. Both the buyer and seller must follow the contract by law.

G

- Gilts
 - The familiar name given to sterling, marketable securities (or bonds) issued by the British Government.
- Guaranteed Minimum Pension (GMP)
 - The LGPS guarantees to pay a pension that is at least as high as a member would have earned if they had not been contracted out of the State Earing Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension.

H

- Hedge
 - Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.

I

- Index

- A calculation of the average price of shares, bonds or other assets in a specified market to provide an indication of the average performance and general trends in the market.
- Internal Rates of Return (IRR)
 - The internal rate of return (IRR) is a metric used to estimate the profitability of potential investments. Generally, the higher the IRR, the more desirable an investment is to undertake.

L

- Local Government Pension Scheme (LGPS)
 - The LGPS is collectively the largest public sector pension scheme in the UK, which provides DB benefits to employees of local government employers and other organisations that have been chosen to participate.
- Local Pension Board (LPB)
 - Since April 2015, each Administering Authority has been required to establish and operate a Local Pension Board. The Pension Board is responsible for assisting the Administering Authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator. The Board is made up of equal representation from employer and scheme member representatives.

M

- Mandate
 - The agreement between a client and investment manager laying down how the portfolio is to be managed, including performance targets.
- Market Value
 - A security's last reported sale price (if on an exchange) i.e. the price as determined dynamically by buyers and sellers in an open market, also called market price.
- Maturity
 - A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
- Myners' Principles
 - A set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom. The Myners' Principles for defined benefit schemes cover:
 - Effective decision-making
 - Clear objectives
 - Risk liabilities
 - Performance assessment
 - Responsible ownership
 - Transparency and reporting

O

- Option
 - The name for a contract where somebody pays a sum of money for the right to buy or sell goods at a fixed price by a particular date in the future. However, the goods do not have to be bought or sold.
- Ordinary Shares
 - An ordinary share represents equity ownership in a company and entitles the owner to vote at the general meetings of that company and receive dividends on those shares if a dividend is payable.

P

- Partner Funds
 - The Fund's chosen asset pool, BCPP, has 11 Partner Funds – Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire.
- Passive Management
 - A style of fund management that aims to construct a portfolio to provide the same return as that of a chosen index.
- Pension Liberation Fraud
 - Members with deferred benefits may be approached by companies offering to release funds early from these benefits. The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.
- Pensions Online
 - The Fund's online portal where scheme members may view their pensions records, complete retirement calculations and update personal details.
- Pensions Regulator
 - The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. TPR make sure that employers put their staff into a pension scheme and pay money into it. TPR also make sure that workplace pension schemes are run properly so that people can save safely for their later years.
- Pooled Funds
 - Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.
- Pooling in the LGPS
 - Central government requires local authorities to pool their pension assets, to achieve four principles:

- Cost savings through economies of scale
 - Improved governance
 - Improved approach to responsible investment
 - Improved ability to invest in infrastructure
- Prepayment
 - The payments by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.
- Present Value
 - The value of protected benefit payments discounted back to the valuation date.
- Property Unit Trusts
 - Pooled investment vehicles that enable investors to hold a stake in a diversified portfolio of properties.
- Proxy Voting
 - Proxy voting allows shareholders to exercise their right to vote without needing to attend AGMs. This can involve shareholders with voting rights delegating their votes to others who vote on their behalf.

Q

- Quantitative Easing
 - Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like Government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

R

- Real Return or Real Discount Rate
 - A rate of return or discount rate not of (CPI) inflation.
- Related Party Transactions
 - This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.
- Responsible Investment (RI)
 - Responsible investment involves incorporating environmental, social and governance (ESG) considerations into investment decision-making while practising active ownership through voting and engagement. RI can help deliver sustainable, long-term returns for investors.
- Retail Price Index
 - A method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which LGPS pensions were increased annually was based on the movement in the Retail Price Index during the 12 months to the previous September. From April 2011 the

Government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index (CPI).

- Return
 - The total gain from holding an investment over a given period, including income and increase or decrease in market value.
- Risk
 - The likelihood of performance deviating significantly from the average. The wider the spread of investment in an investment sector or across investment sectors, i.e. the greater the diversification, the lower the risk.
- Rule of 85
 - Under previous LGPS regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. If the sum of the member's age and the number of whole years of their scheme membership was 85 or more, benefits were paid in full. If the total was less than 85, the benefits were reduced. The Rule of 85 was abolished on 1 October 2006 – however members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

S

- Security
 - An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government or other organisation, which offers evidence of debt or equity.
- Scheduled Body
 - An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.
- Section 13 Valuation
 - In accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Ministry of Housing, Communities and Local Government in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.
- Section 151 Officer
 - The officer designated under Section 151 of the Local Government Act 1972 to have overall responsibility for the administration of the financial affairs of the County Council and the preparation of the County Council's Statement of Accounts.
- Socially Responsible Investment (SRI)
 - Investments or funds containing stocks in companies whose activities are considered ethical.

- Spot Rate
 - The price quoted for immediate settlement on a commodity, security or currency. It is based on the value of an asset at the moment of the quote, which in turn is based on how much buyers are willing to pay and how much the sellers are willing to accept depending on factors such as current market value and expected future market value.
- State Pension Age
 - The earliest age at which State Pension can be paid, which is different to the earliest age LGPS may be claimed. Under the current law, the State Pension age is due to increase to 68.
- Stock
 - A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings. Also known as shares or equity.
- Stock Lending
 - This is loaning a stock, derivative or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower and title is returned at the end of the loan period.

I

- TCFD
 - The Taskforce on Climate Related Financial Disclosures was set up to develop voluntary, consistent climate related financial risk disclosures to guide companies in providing information to investors, lender, insurers and other stakeholders. It is expected that MHCLG will consult on mandatory TCFD disclosures in the LGPS by the end of 2021.
- The Pensions Advisory Service (TPAS)
 - The Pensions Advisory Service (TPAS) gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangements. TPAS is an executive non-departmental public body, sponsored by the Department for Works and Pensions.
- Tracking Error
 - An unplanned divergence between the price behaviour of an underlying stock or portfolio and the price behaviour of a benchmark. Reflects how closely the make-up of a portfolio matches the make-up of the index that it is tracking.
- Transaction Costs
 - Those costs associated with managing a portfolio, notable brokerage costs and taxes.

- Transfer Value
 - A transfer value is a cash sum representing the value of a member's pension rights.
- Transferred Service
 - Any pension that members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.
- Transition
 - To move from one set of investment managers to another.

U

- UK Stewardship Code
 - A code first published by the FRC in 2010 to enhance the quality of engagement between asset managers and companies in the UK. Its principal aim is to make asset managers more active and engaged in corporate governance matters in the interests of beneficiaries. The Code was revised in 2020.
- Underwriting
 - The process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing securities (both equity and debt).
- Unit Trusts
 - A unit trust is a pooled fund in which small investors can buy and sell units. The pooled fund purchases investments and the returns are passed on to the unit holders. It enables a broader spread of investments that investors could achieve individually.
- Unrealised gains/losses
 - The increase or decrease in the market value of investments held by the fund since the date of their purchase.

This page is intentionally left blank