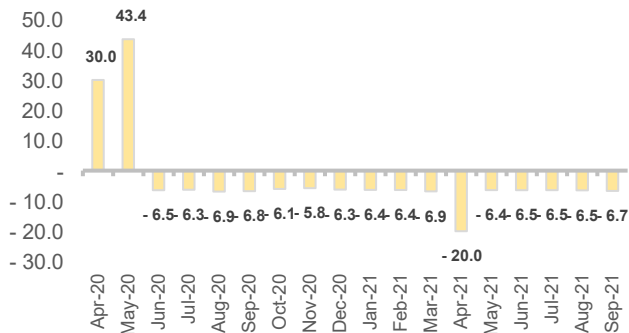
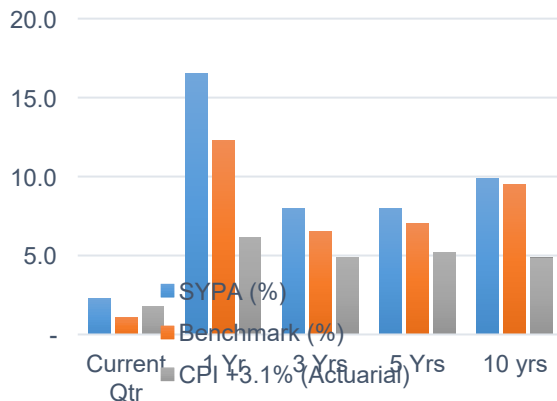


QUARTERLY REPORT TO 30 SEPTEMBER 2021

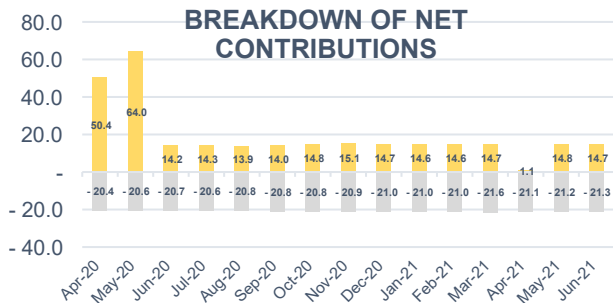
NET CONTRIBUTIONS



Total Fund Return

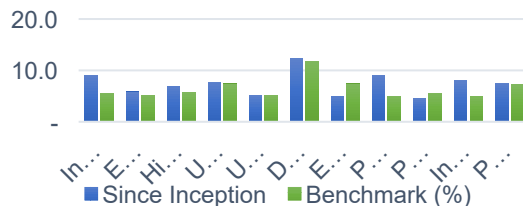


BREAKDOWN OF NET CONTRIBUTIONS

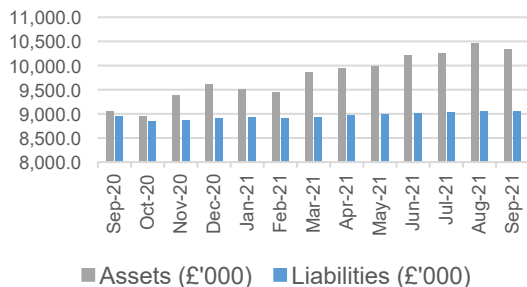


■ Gross Contributions ■ Benefits Paid

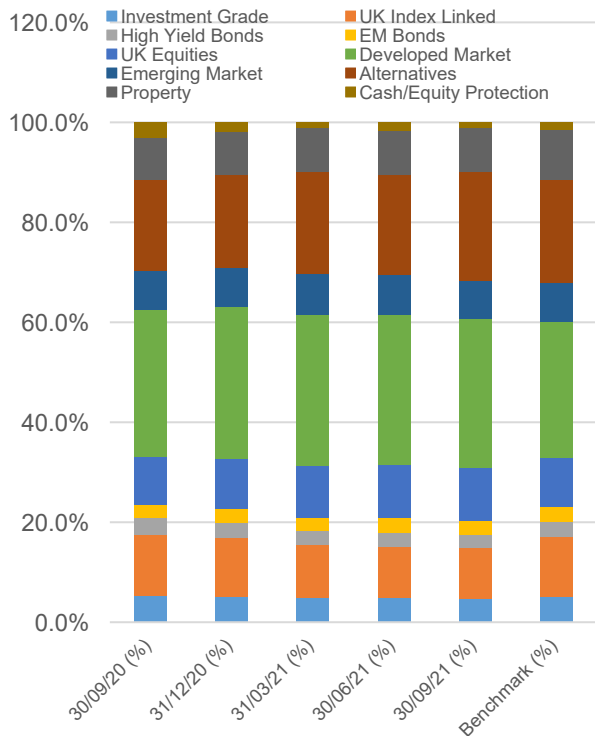
Asset Performance by Total Asset Class - Since Inception



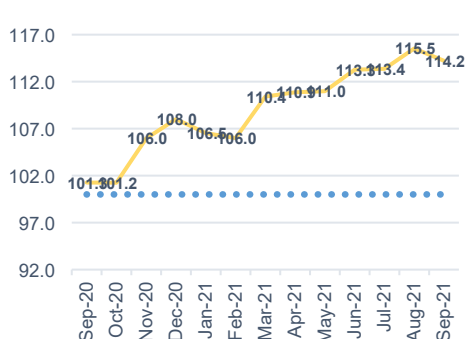
ASSET LIABILITY DATA SINCE JUNE 2020



ASSET ALLOCATION



FUNDING LEVEL %



Market background

Equity markets continued to rise over the quarter supported by corporate earnings results but did fall in September as concerns grew over inflation and potential interest rate hikes. Central bankers still say that higher inflation is transitory but have noted recently that it will likely last longer than previously anticipated.

UK equities performed well as second quarter statistics showed strong growth for the UK economy due to easing restrictions. However, the Covid-19 'pingdemic' and Brexit caused staff shortages and supply chain issues that hindered UK hospitality and retail sectors. The disruption caused by the resulting fuel shortage dented sentiment in September although the positive performance earlier in the quarter more than offset losses

Global equities gained slightly with developed markets outperforming emerging markets amid a sell-off in Chinese equities. Returns from Japan were the strongest and the rest of the Asia Pacific region performing poorly in aggregate as they moved in sympathy with the Chinese equity market.

Government bond yields began the quarter moving lower but as concerns regarding inflation rose then gilt yields rose which drove asset prices lower. Credit spreads remain at all-time lows as they continue to be suppressed by supportive fiscal and monetary policy. High yield debt generally outperformed investment-grade bonds.

Commodity indexes were strong driven by sharply higher energy prices caused by increased demand in the wholesale gas market.

Real estate returns were positive with all sectors rising. Industrials were the strongest with offices the weakest. A recovery in retail warehouse performance is evident which helped lift overall retail return. Offices are continuing the downward trend amid low visibility around the impact of Covid-19 on future occupation.

Fund Valuation

as at 30 September 2021

	Jun-21		Quarterly Net Investment	Sep-21		Benchmark %	Range %
	£m	%		£m	%		
FIXED INTEREST							
Inv Grade Credit - BCPP	492.0	4.8	0.0	485.4	4.7	5	
UK ILGs - BCPP	877.1	8.6	0.0	897.1	8.6	10	
UK ILGs SYPA	171.2	1.7	-25.1	151.9	1.5		
High Yield Bonds	278.7	2.7	-5.0	272.3	2.6	3	
EM Bonds	302.2	3.0	-1.3	303.4	2.9	3	
TOTAL	2121.3	20.8	-31.4	2110.1	20.3	21	16-26
UK EQUITIES	1079.8	10.6	0.0	1101.9	10.6	10	5_15
INTERNATIONAL EQUITIES							
Developed Market - BCPP	3018.2	29.6	0.0	3066.0	29.5	27.125	
Developed Market - SYPA	44.2	0.4	-11.0	33.6	0.3		
Emerging Market - BCPP	811.2	7.9	0.0	776.7	7.5	7.875	
Emerging Market - SYPA	10.5	0.1	-4.5	5.5	0.1		
TOTAL	3884.1	38.0	-15.5	3881.8	37.4	35	30-40
PRIVATE EQUITY							
BCPP	67.6		23.3	102.7			
SYPA	807.5		-14.0	869.8			
TOTAL	875.1	8.6	9.3	972.5	9.3	7	5_9
PRIVATE DEBT FUNDS							
BCPP	12.1		8.4	20.8			
SYPA	472.8		-9.2	496.1			
TOTAL	484.9	4.8	-0.8	516.9	5.0	5.5	4.5-6.5
INFRASTRUCTURE							
BCPP	46.8		64.1	61.5			
SYPA	632.3		15.2	723.2			
TOTAL	679.1	6.7	79.3	784.7	7.5	10	8_12
PROPERTY	898.9	8.8	1.3	911.5	8.8	10	8_12
CASH	181.7	1.7		118.4	1.1	1.5	0-5
TOTAL FUND	10204.9	100.0		10397.8	100.0	100	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	1255.0			1279.1			

Asset Allocation Summary

As equity markets continued to improve we took the opportunity to take profit. £15.5m was raised from the legacy holdings and these proceeds were used to fund the drawdowns into the alternative funds.

Also, we sold £25m of legacy index-linked gilts to maintain a neutral weighting to this category.

£89m was invested into the alternative funds with £79m of this invested to infrastructure funds.

The current Fund allocation can be seen in the chart below and is shown against the strategic target.

There are two categories that are outside their tactical ranges, private equity and infrastructure.

We have seen significant uplift in valuations from our private equity fund holdings when the most recent statements have been received this quarter which has led to us now being over the higher allocation. We are expecting some realisations to be completed over the next couple of quarters which will hopefully bring the allocation down.

As reported last quarter the change in benchmark weighting for infrastructure funds has meant that we are below the lower bound for this asset class. However as expected we have had significant drawdowns during the last quarter with the weighting rising from 6.7% to 7.5% and we anticipate further drawdowns which should rectify the underweight position during this financial year.

The changes in net investment for the categories over the last year are also shown below. It shows that we have been de-risking the Fund in line with the strategic benchmark

Asset Allocation Summary

Strategic vs Current Asset Allocation					
Asset Class	SAA Target	Range	Current Asset Allocation		
	%	%	£m	%	OW/UW
Index Linked Gilts	10	8 - 12	1049	10.1	0.1
Sterling Inv Grade Credit	5	3 - 7	485.4	4.7	-0.3
Other Fixed Income	6	4 - 8	575.7	5.5	-0.5
UK Equities	10	5 - 15	1101.9	10.6	0.6
Overseas Equities	35	30 - 40	3881.8	37.3	2.3
Private Equity	7	5 - 9	972.5	9.4	2.4
Private Debt	5.5	4.5-6.5	516.9	5.0	-0.5
Infrastructure	10	8 - 12	784.7	7.5	-2.5
Property	10	8 - 12	911.5	8.8	-1.2
Cash	1.5	0 - 5	118.4	1.1	-0.4
Total	100		10397.8	100	

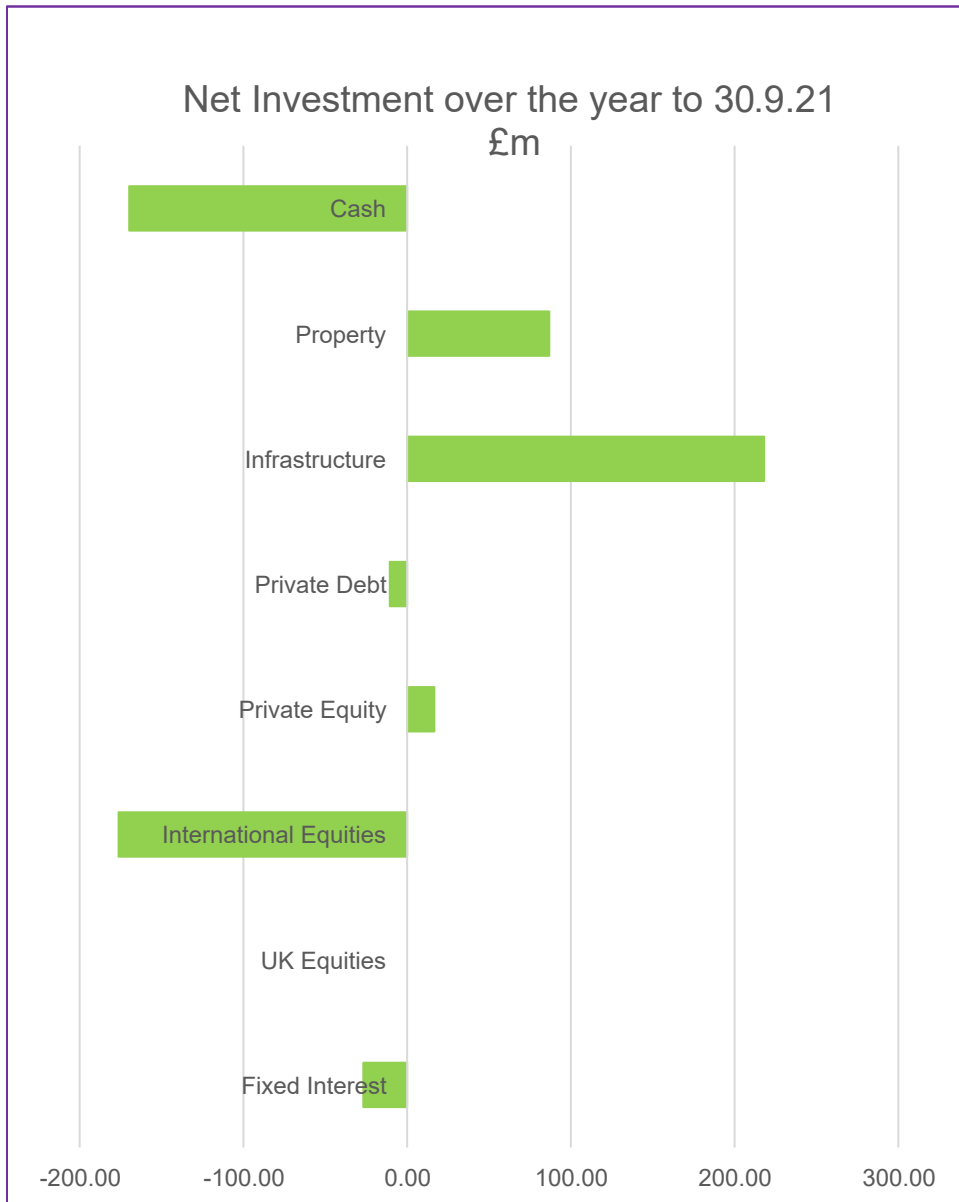
OW/UW 'RAG' ratings

Green ratings indicate that current asset allocation is within agreed tolerances

Amber ratings indicate that current asset allocation is beyond 70% of the difference between the maximum/minimum range and the strategic target allocation

Red ratings indicate that current asset allocation is out of range

Asset Allocation Summary



Performance

as at 30 September 2021

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	-0.8	-1.0	1.2	0.7
UK ILGs	2.3	2.3	7.2	7.1
High Yield Bonds	0.0	-1.0	3.1	0.7
EM Bonds	2.1	-0.6	7.2	3.3
TOTAL	1.2	0.6	5.2	3.8
UK EQUITIES	2.1	2.2	7.4	8.0
INTERNATIONAL EQUITIES				
Developed Market - BCPP	1.6	1.1	8.0	8.0
Developed Market - SYPA	0.5	1.1	6.4	8.0
Emerging Market - BCPP	-4.3	-4.4	-1.3	0.2
Emerging Market - SYPA	-4.8	-4.4	-1.9	0.5
TOTAL	0.3	-0.1	6.0	6.3
PRIVATE EQUITY	10.1	1.7	10.2	4.2
PRIVATE DEBT FUNDS	6.9	1.7	7.4	4.2
INFRASTRUCTURE	4.2	1.7	7.2	4.2
PROPERTY	2.0	3.6	5.3	6.6
CASH	0.0	0.0	0.0	0.0
TOTAL FUND	2.3	1.1	6.4	5.5

Performance Summary

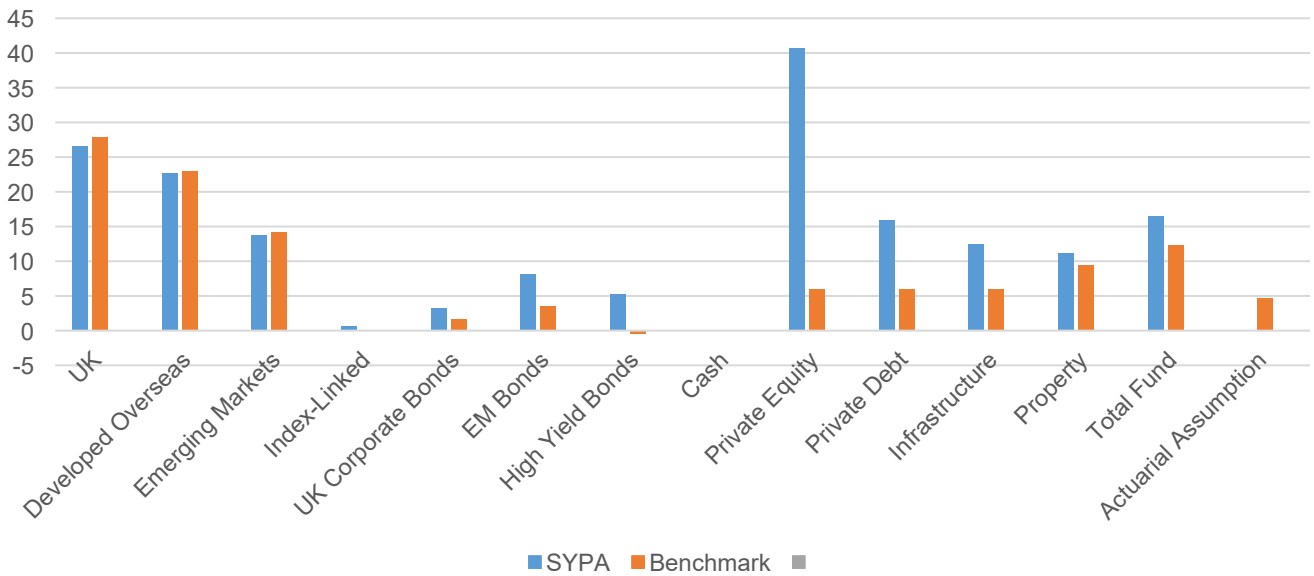
For the quarter to the end of September, the Fund returned 2.3% against the expected benchmark return of 1.1% and for the year to date the Fund has now returned 6.4% against an expected return of 5.5%.

Stock selection was the reason for the outperformance and the breakdown of the stock selection is as follows:-

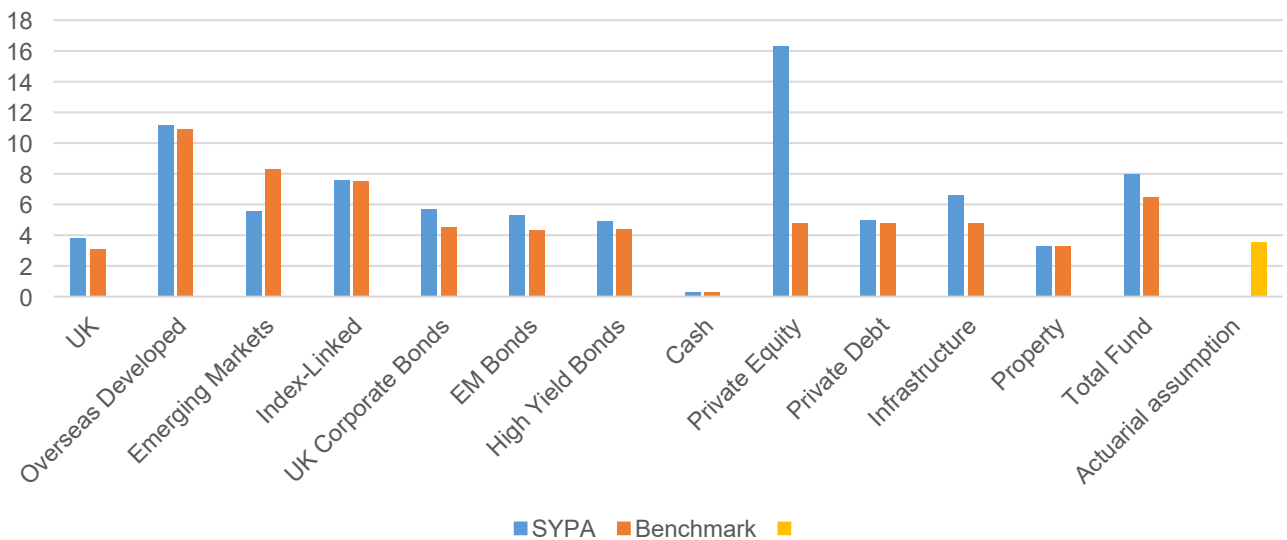
DM Overseas Equities	0.1%
Total Bonds	0.1%
Private Equity funds	0.7%
Private Debt funds	0.2%
Infrastructure funds	0.2%
Commercial Property	-0.1%

Performance-Medium term

1yr Performance by Asset Class



3YR Annualised Performance by Asset Class



Performance – Border to Coast Funds

This quarter the UK equity fund was the only portfolio to underperform its benchmark and even this underperformance was marginal.

The UK portfolio was impacted by stock selection and underweight position in Real Estate and Financial Services as well as stock selection in Healthcare. This was offset to a degree by strong stock selection in Energy and being overweight Consumer Staples and an overweight position in UK Small Cap collectives which have continued to outperform as the domestic economy re-opens.

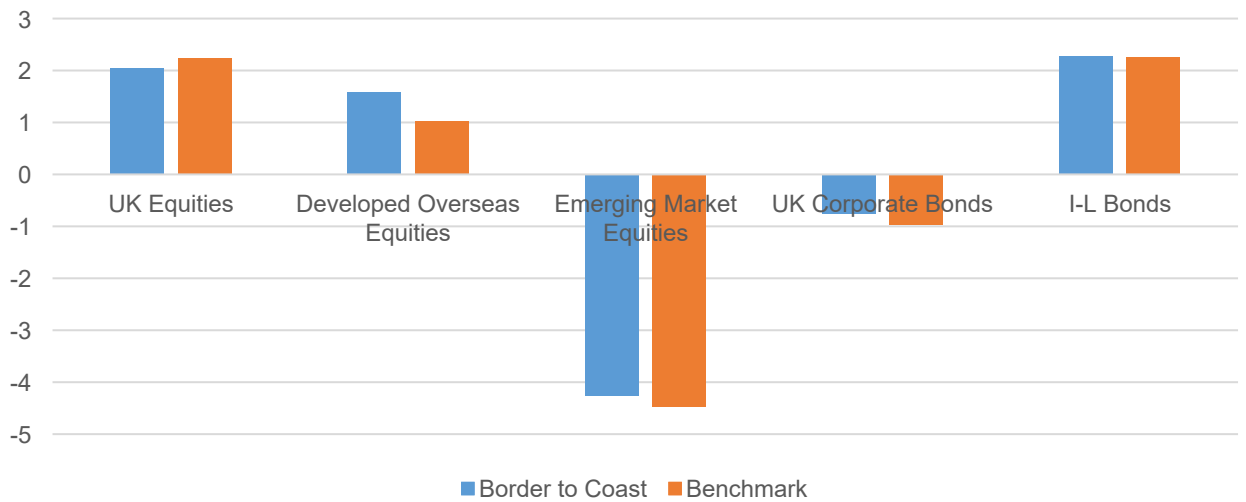
Both the bond portfolios outperformed their benchmark. In particular it is encouraging to see that the Sterling Investment Grade Credit portfolio has delivered excess returns versus the benchmark in periods of strength and weakness for credit.

The charts below show quarterly returns but also the longer term position of each of the Border to Coast funds that we hold.

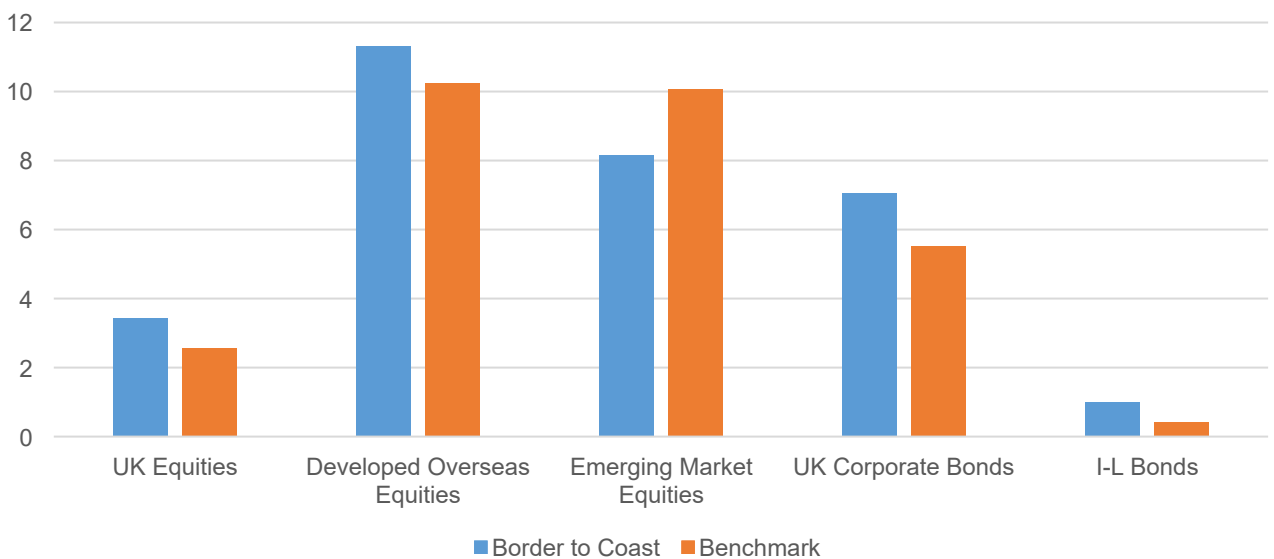
It can be seen that four of the five funds have outperformed their benchmark and matched the target return.

Performance-Border to Coast Funds

Border to Coast Funds - quarter to Sep 21



Border to Coast Funds - Since Inception



Funding Level

The funding level as at 30 September 2021 is 114.9%.

The breakdown is as follows:

Fund's Assets:

As at 30 Sep: £10,397m

As at 30 June 2021: £10.211m

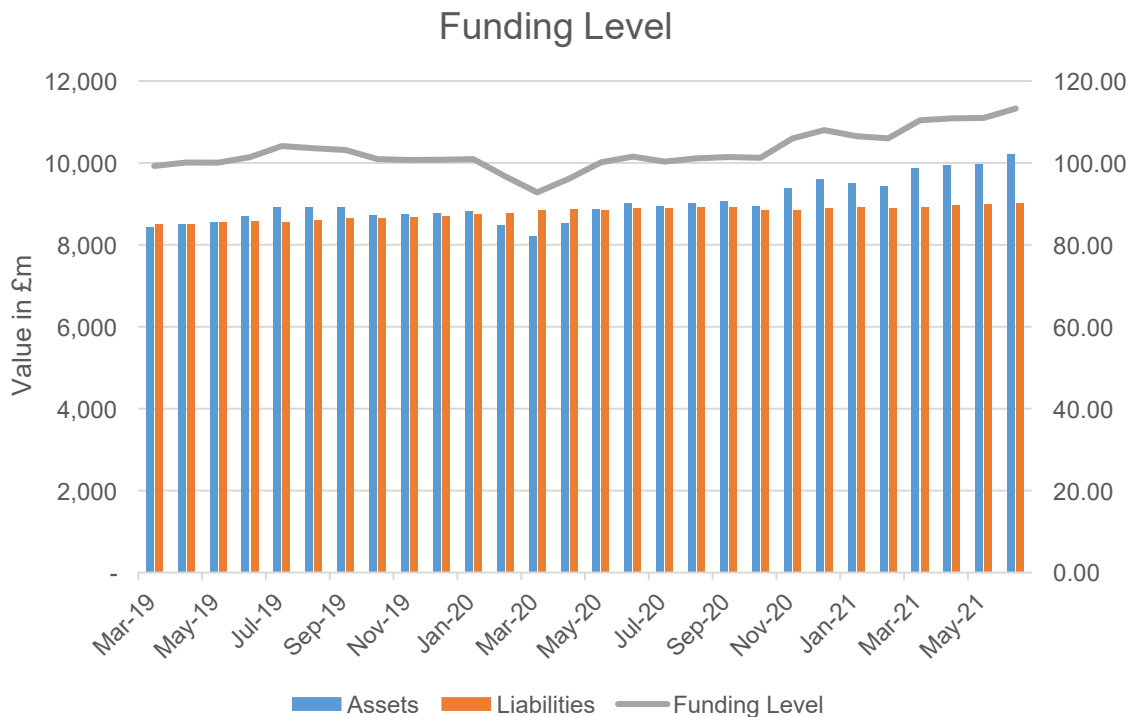
An increase of £186m

Funds Liabilities:

As at 30 Sep 2021: £9,047m

As at 30 June 2021: £9,015m

An increase of £32m



Outlook

Global growth should continue to pick up with the re-opening of the world economy. However inflation projections have risen given the strength of the rebound which has stretched supply chains resulting in higher prices.. Concern that rising inflation will be sustained rather than transitory could cause volatility in equity markets if bond yields and interest rates move higher.

From an asset allocation perspective, we still prefer equities to bonds as we expect equities to be supported by robust earnings growth which should more than offset the impact of higher bond yields. Policy tightening by the Central Banks will lead to higher yields and thus negative bond performance.

UK Equities

UK equities offer attractive valuations relative to history and other developed markets. The positive vaccination situation has meant that economic activity has started to normalise. Both fiscal and monetary policy is likely to remain accommodative. However, strong sterling will weigh on the FTSE 100 given its high exposure to foreign revenues We will look to maintain the current exposure.

Overseas equities

We expect market conditions to remain volatile. We expect that a combination of continued policy support from the authorities and stronger global growth should support equities. The robust profits outlook and the delivery of strong earnings growth will offset the impact of higher bond yields. Thus we will keep our overweight equity stance at this moment particularly when return expectations in other asset classes are more limited. However, profits will be taken when necessary.

Bonds

The long-term downtrend in bond yields remains in place for now, although it may be tested again soon.

Index-linked gilts give protection against rising inflation but real yields are very low and likely to rise if nominal yields rise due to higher inflation. They are however a better bet than conventional fixed income.

Outlook

Bonds cont

Credit spreads may not fall dramatically from here, but it does seem unlikely that they will rise much either in the absence of another shock.

Given the lack of viable alternatives in developed market government bonds, or increasingly in investment grade credit, EM and high yield spreads look likely to remain well bid.

At least there is a yield and therefore a decent level of income in high yield and emerging markets, although even this is much lower than we have been used to. The same cannot be said for developed markets government bonds despite recent yield increases. Yields are so low that one needs deflation to justify holding for any but the shortest period of time. These markets will continue to be supported by central banks but long-term investors need higher potential returns to justify allocations here.

Real Estate

Within the industrial sector the occupational market is expected to be the key driver of performance, with prime assets best placed to capture rental value growth.

Polarisation within the retail sector is expected to continue. Retail warehouses have rebounded strongly with prime yields narrowing. However this has been focussed on assets that are let on affordable rents, and anchored by grocery, discount and DIY occupiers. The outlook for fashion related assets remains more challenging.

The outlook for the office sector continues to stimulate debate with more and more talk about a hybrid working future. The logistics sector is expected to have another strong year.

There are indications that the Bank of England could be looking to increase rates in 2022 but they will still remain at low rates in a historical context and this will continue to support real estate pricing, and in particular, long-let secure income. We have a relatively strong overweight to industrial and have increased our weighting to supermarkets during 2021 and have actively decreased weightings to riskier offices with imminent lease expiries/voids and peripheral retail assets and the portfolio looks well positioned going forward.

Will look to selectively increase weighting.

Outlook

Alternatives

The alternative investment market which includes investments within private equity, private debt and infrastructure, generally generates above market returns and we are looking to add further investments into this asset class although it may take some time for capital to be deployed. Within the alternative area Border to Coast are looking to launch a Climate Opportunities fund and we will look to allocate to this from our existing alternative allocation in 2022.

Cash

Cash is now at a level that we are happy with. Any further cash requirement will be financed by switching among the asset classes.

