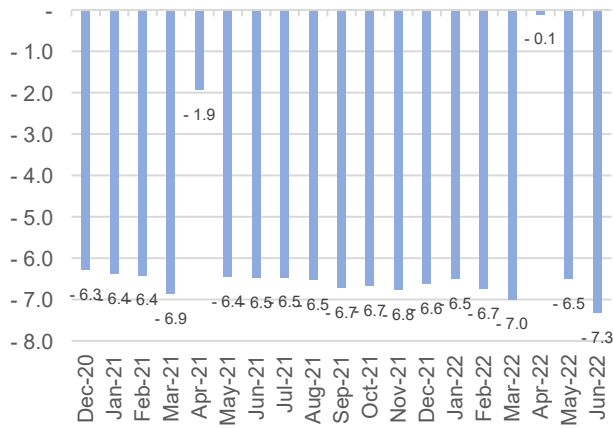
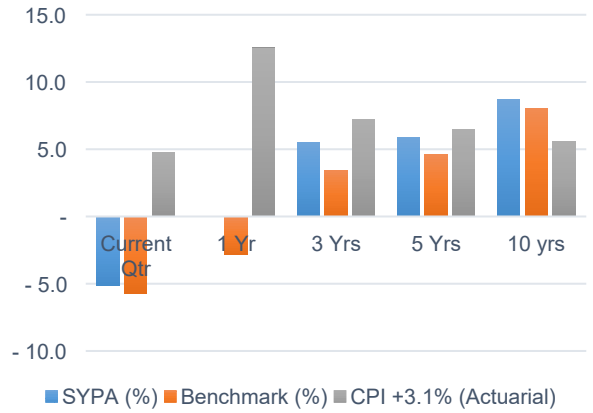


QUARTERLY REPORT TO 30 JUNE 2022

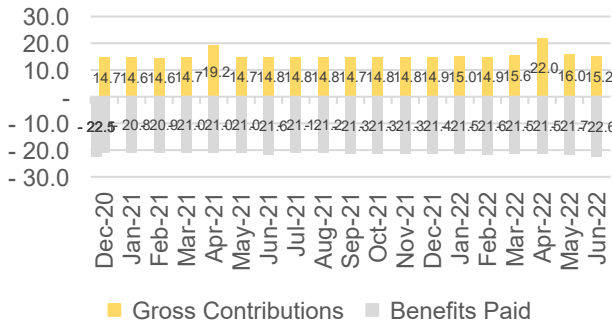
NET CONTRIBUTIONS



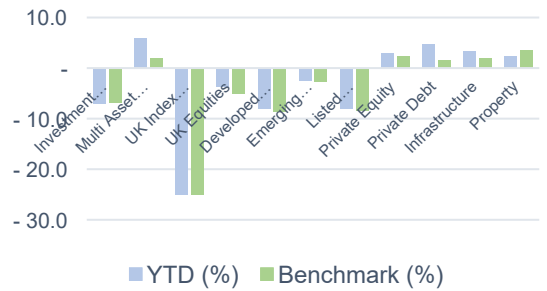
TOTAL FUND RETURN



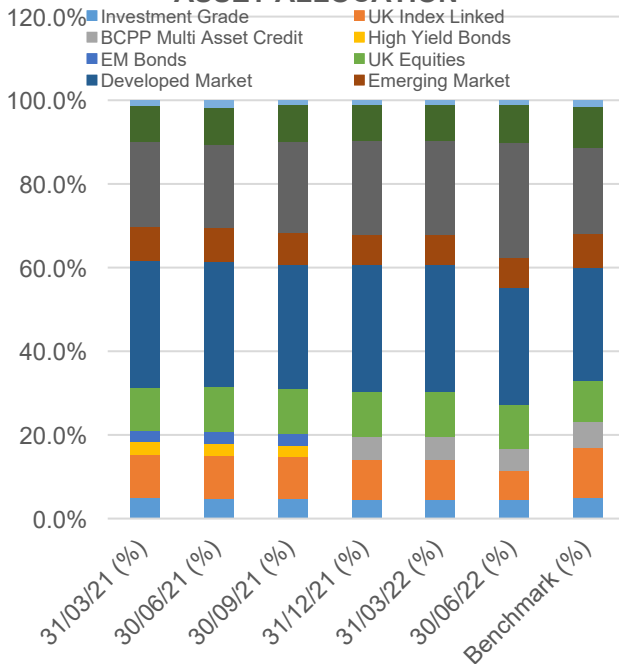
BREAKDOWN OF NET CONTRIBUTIONS



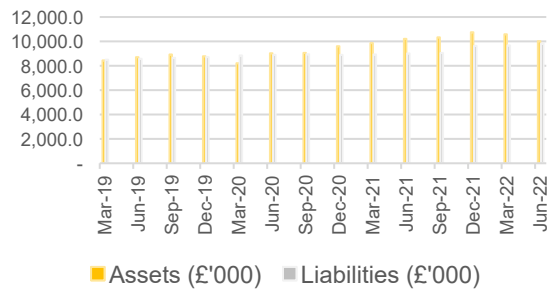
ASSET PERFORMANCE BY TOTAL ASSET CLASS- YEAR TO DATE



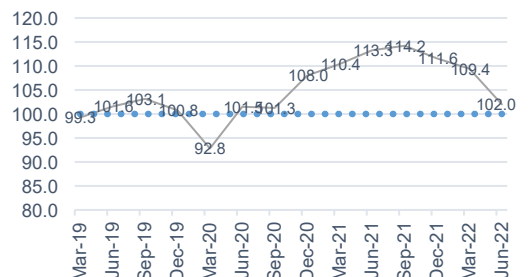
ASSET ALLOCATION



ASSET LIABILITY RATIO SINCE MARCH 2019



FUNDING LEVEL %



Market background

This quarter was another difficult quarter for markets and as for the previous quarter there were few places to hide. Developed market equities, emerging market equities, credit and sovereign bonds all fell as investors priced in further interest rate rises and an increased risk of recession.

UK equities were more resilient than other global market indices due to the higher weightings in energy and consumer staples stocks which held up well in the sell-off. The Bank of England increased rates by two consecutive 25 bps rises to take the official rate to 1.25% at the end of June and continued to warn of higher inflation. The Chancellor also announced additional measures to help households facing higher energy bills this autumn.

Global equities fell almost ten percent over the quarter in sterling terms with the developed markets underperforming emerging markets. Japan was relatively most resilient of the developed regions this quarter with the US and Europe ex-UK being the weakest performing markets. Emerging markets performed better led by China which rose in anticipation of the easing of Covid lockdown restrictions.

Bonds continued to sell off sharply with yields rising sharply as central banks looked to control inflation by raising interest rates. This hurt high quality, high duration bonds the most. Also as there is more likelihood of economic weakness this has led to credit spreads widening. Bonds rallied into the quarter end as rising growth concerns materialised and slightly improved the negative returns. Corporate bonds saw significant negative returns and wider spreads, underperforming government bonds. High yield spreads widened more than investment grade and emerging market bonds also suffered significant declines

Commodity indexes continued to rise as higher energy prices offset sharp price falls in other components of the index. Energy was the strongest component as rising demand and supply constraints due to the ongoing conflict in Ukraine. Industrial metals was the worst performing component, with sharp falls in the prices of aluminium, nickel and zinc.

Real estate returns were positive with all sectors rising. Industrials were the strongest with offices the weakest as we saw elevated levels of vacancies in a number of markets.

Fund Valuation

as at 30 June 2022

	Mar-22		Quarterly Net Investmen t	Jun-22		Benchmar k	Range
	£m	%	t	£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	454.7	4.3	30.0	450.1	4.5	5	
UK ILGs - BCPP	870.7	8.2	0.0	652.8	6.5	10	
UK ILGs SYPA	63.5	0.6	0.0	47.3	0.4		
MAC - BCPP	587.3	5.5	-3.8	537.5	5.3	6	
TOTAL	1976.2	18.6	26.2	1687.7	16.7	21	16-26
UK EQUITIES	1140.8	10.7	-30.0	1068.4	10.6	10	5_15
INTERNATIONAL EQUITIES							
Developed Market - BCPP	3099.6	29.1	-30.0	2817.5	27.9	27.125	
Developed Market - SYPA	24.7	0.2	-2.6	19.6	0.2		
Emerging Market - BCPP	721.2	6.8	0.0	703.5	7.0	7.875	
Emerging Market - SYPA	1.0	0.0	0.0	1.0	0.0		
TOTAL	3846.4	36.1	-32.6	3541.6	35.0	35	30-40
LISTED ALTERNATIVES -BCPP	198.6	1.9	0.0	180.2	1.8	0	
PRIVATE EQUITY							
BCPP	155.7		11.4	169.2			
SYPA	888.1		-5.5	910.8			
TOTAL	1043.8	9.8	5.9	1080.0	10.6	7	5_9
PRIVATE DEBT FUNDS							
BCPP	46.0		10.4	56.4			
SYPA	491.9		-10.2	504.9			
TOTAL	537.9	5.0	0.2	561.3	5.6	5.5	4.5-6.5
INFRASTRUCTURE							
BCPP	184.4		13.4	228.0			
SYPA	695.3		-0.5	719.5			
TOTAL	879.7	8.3	12.9	947.5	9.4	10	8_12
PROPERTY	911.8	8.6	13.8	940.5	9.3	10	8_12
CASH	118.7	1.1		98.3	1.0	1.5	0-5
TOTAL FUND	10653.9	100.0		10105.5	100.0	100	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	1321.7			1503.7			

Asset Allocation Summary

We reduced our overweight position to listed equity holdings by £63m to fund a £30m investment into Sterling Investment Grade Credit which reduced the underweight position and to fund further drawdowns into private equity, private debt and infrastructure funds. .

There were no transactions within the commercial property portfolio but we did see drawdowns on the CBRE loans that we have and into the residential funds that we hold.

There are now two categories that are outside their tactical range and those are private equity and index-linked gilts

We have seen continued uplift in valuations from our private equity fund holdings and due to the relative under-performance of other asset classes we actually saw an increase in weighting to this category. We have been reducing our annual commitment to this category over the last few years and as realisations come through the overall weighting should reduce. Also due to the lagged pricing of these funds we would expect reduced valuations to feed through in the next couple of quarters.

There were no transactions within our index-linked holdings but gilt yield volatility increased dramatically with inflation concerns being the main driver. The Bank of England raised interest rates twice to end at 1.25% in June and signalled it will continue to raise rates over the coming months as they expect CPI to hit close to 12% in October. The marked increase in yields resulted in a total return of -25% during the quarter. We did not add to our holdings due to the uncertain background regarding interest rates and thus we are now below the lower range. However although we have deliberately been underweight index-linked gilts it must be noted that we have been adding to infrastructure funds which are also assets which have inflation linkage.

Asset Allocation Summary

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

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

Asset Allocation Summary



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	700.1	6.9	-3.1
Sterling Inv Grade Credit	5	3 - 7	450.1	4.5	-0.5
Multi Asset Credit	6	4 - 8	537.5	5.3	-0.7
UK Equities	10	5 - 15	1068.4	10.6	0.6
Overseas Equities	35	30 - 40	3541.6	35.0	0.0
Private Equity	7	5 - 9	1080	10.7	3.7
Private Debt	5.5	4.5-6.5	561.3	5.6	0.1
Infrastructure	10	8 - 12	947.5	9.4	-0.6
Listed Infrastructure	0	0-2	180.2	1.8	1.8
Property	10	8 - 12	940.5	9.3	-0.7
Cash	1.5	0 - 5	98.3	1.0	-0.5
Total	100		10105.5	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

Performance

as at 30 June 2022

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	-7.0	-6.8	-7.0	-6.8
UK ILGs	-25.0	-25.1	-25.0	-25.1
Multi Asset Credit - BCPP	-7.9	1.1	-7.9	1.1
UK EQUITIES	-3.7	-5.0	-3.7	-5.0
INTERNATIONAL EQUITIES				
Developed Market - BCPP	-8.1	-8.6	-8.1	-8.6
Developed Market - SYPA	-9.3	-8.6	-9.3	-8.6
Emerging Market - BCPP	-2.5	-2.7	-2.5	-2.7
Emerging Market - SYPA	5.6	-2.7	5.6	-2.7
TOTAL	-7.1	-7.3	-7.1	-7.3
PRIVATE EQUITY	2.9	2.4	2.9	2.4
PRIVATE DEBT FUNDS	4.6	1.5	4.6	1.5
INFRASTRUCTURE	3.2	1.9	3.2	1.9
PROPERTY	2.3	3.5	2.3	3.5
CASH	0.2	0.2	0.2	0.2
TOTAL FUND	-5.1	-5.7	-5.1	-5.7

Performance Summary

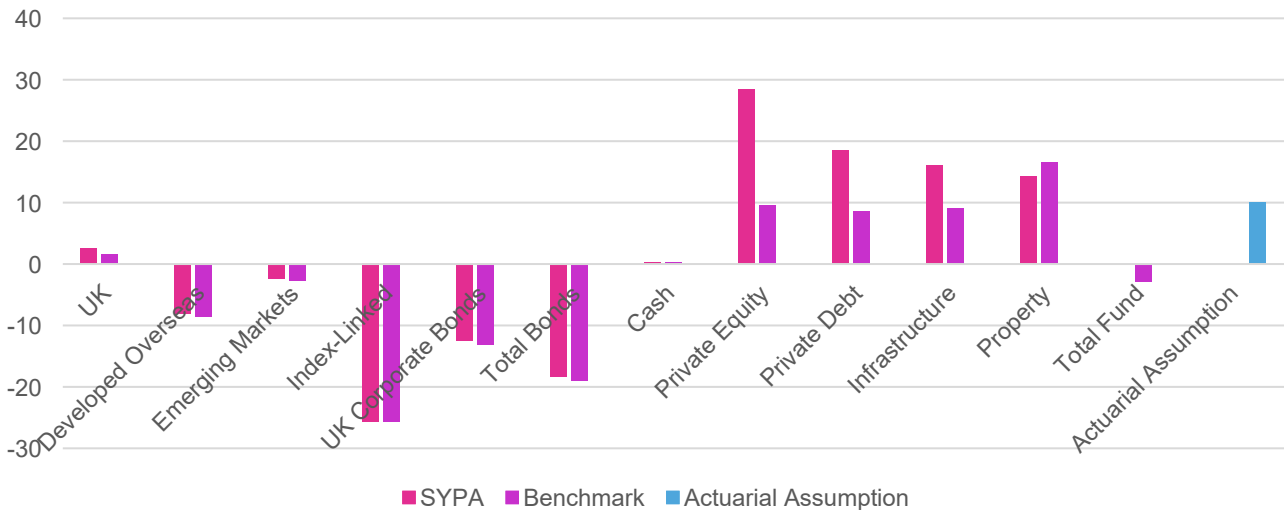
For the quarter to the end of June, the Fund returned -5.1% against the expected benchmark return of -5.7%. Asset allocation decisions taken together added 0.2% and stock selection added 0.4%

The breakdown of the stock selection is as follows:-

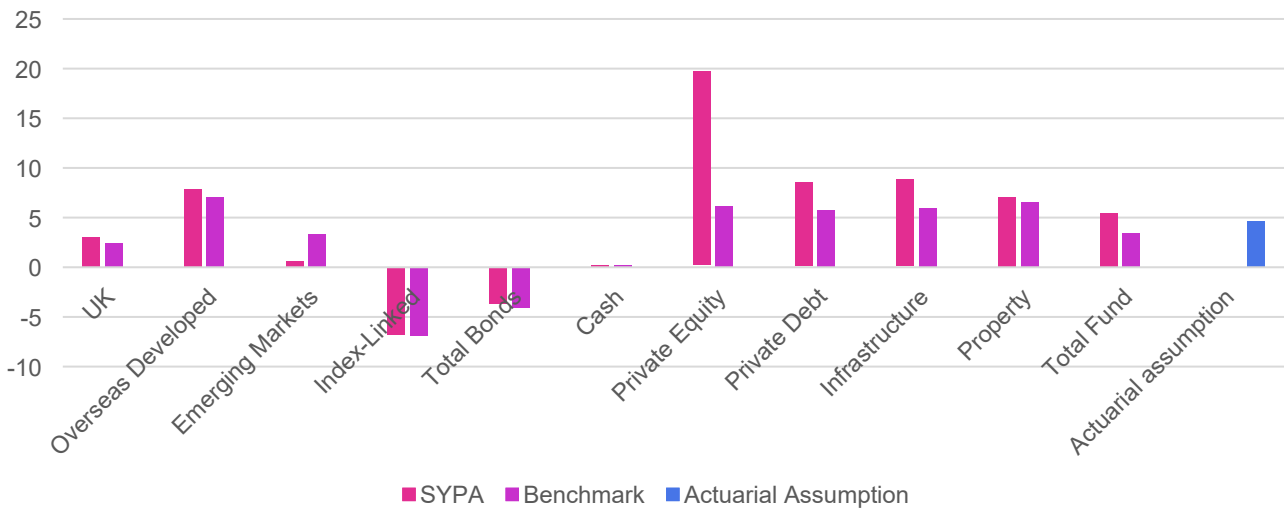
UK Equities	0.1%
Overseas Equities	0.2%
Total Bonds	-0.1%
Private Debt funds	0.2%
Infrastructure funds	0.1%
Property	-0.1%

Performance-Medium term

1yr Performance by Asset Class



3YR Annualised Performance by Asset Class



Performance – Border to Coast Funds

The UK equity portfolio showed outperformance of its benchmark this quarter and is now achieving its target return since inception. The portfolio benefited by being underweight consumer discretionary which was impacted by falling consumer confidence in the face of rising inflation, by being underweight financial services and underweight real estate.

The Overseas Developed Market portfolio continued its steady outperformance with stock selection in Europe ex-UK and the US in particular adding to performance.

The Emerging Market out-performed the benchmark this quarter by 0.3% but is still behind the benchmark since inception.

Gilt yields increased significantly as inflation continued to rise and the Bank of England raised interest twice, from 0.75% to 1.0% in early May and to 1.25% in June. CPI is expected to reach 12% over the coming months. The marked increase in yields resulted in a total return of -25% for the index-linked portfolio, in line with the benchmark.

Credit spreads widened over the quarter reflecting the relative riskiness of lending to corporate borrowers and the Sterling Investment Grade credit portfolio underperformed its benchmark by 0.2%. Both Insight and RLAM underperformed but M&G demonstrated their ability to generate excess returns in volatile and increasingly stressed markets.

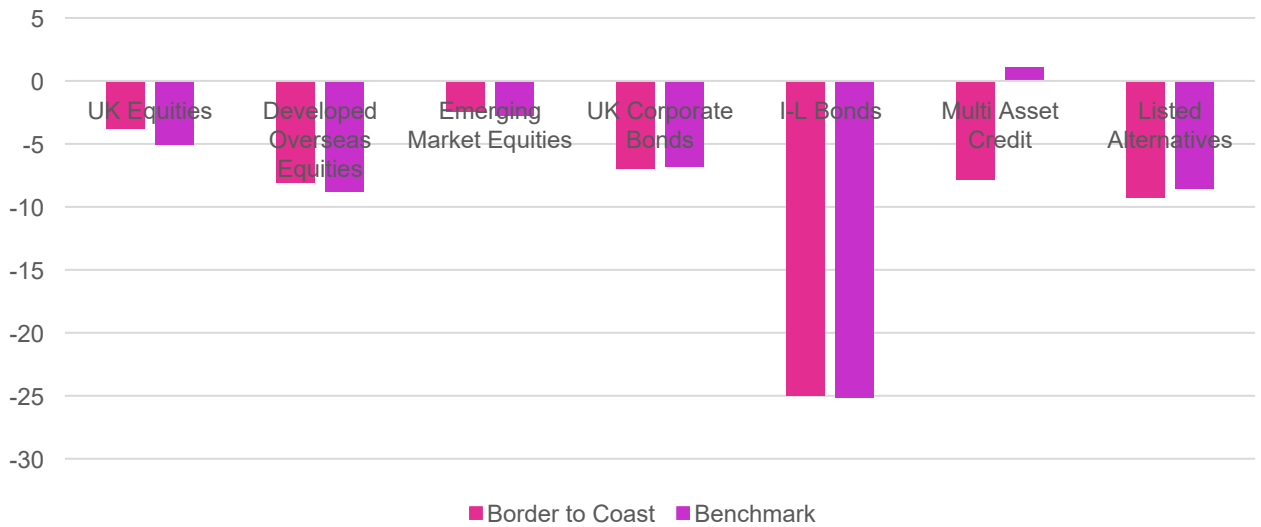
The Multi-Asset Credit fund has an absolute return benchmark and this quarter all the underlying fixed income asset classes experienced weak performance and thus led to underperformance. They only slightly underperformed their secondary benchmark (-0.4%) in totality although PIMCO the core manager underperformed its secondary benchmark by 0.9% and this is being monitored closely.

The Listed Alternatives fund showed underperformance for the quarter but since 18th February when the portfolio came out of transition it is still showing outperformance and has provided downside protection versus broader equity markets.

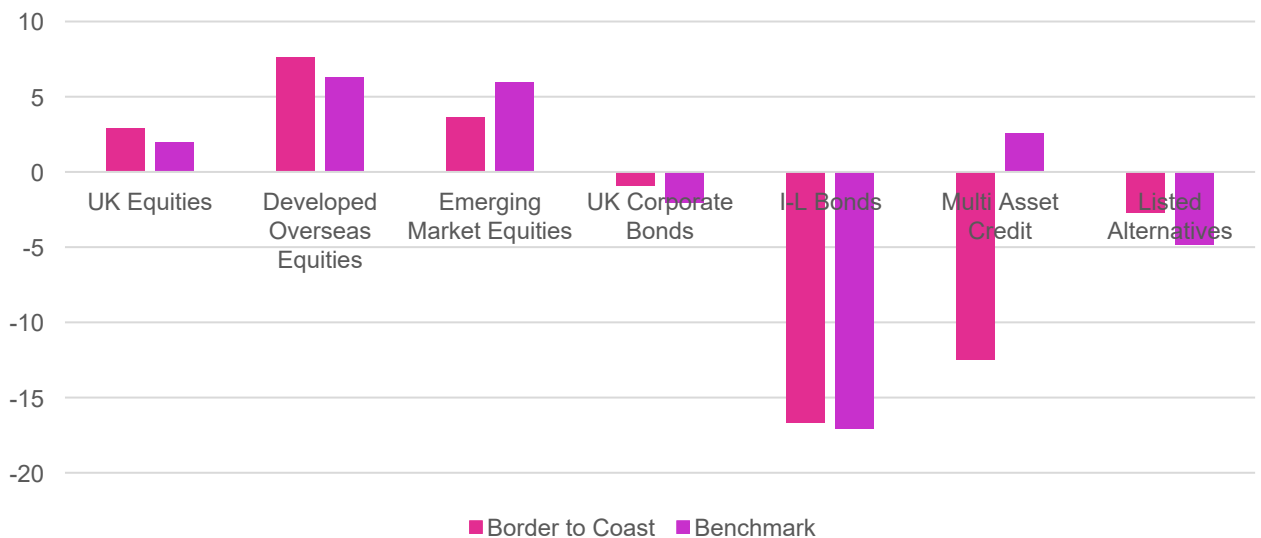
The charts below show quarterly returns but also the longer term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds

Border to Coast Funds - quarter to June 22



Border to Coast Funds - Since Inception



Funding Level

The funding level as at 30 June 2022 is estimated to be 102.9%

The breakdown is as follows:

Fund's Assets at 30 June	£10,105
Funds estimated Liabilities at 31 June	£9,824

Caveat

This estimate is calculated on a rollforward basis. This means that there is no allowance made for any actual member experience since the last formal valuation on 31 March 2019.

Outlook

High inflation and monetary tightening by central banks are leading to slowing growth. Recession risk is rising but central banks are focused on fighting inflation which has led to higher real yields, flatter yield curves and tighter financial conditions which has also given rise to greater market volatility.

Valuations have become more attractive but the background is still challenging for credit and equities and looks to be skewed toward downside risks. From an asset allocation perspective, equities face headwinds but will still be supported by some earnings growth even if it is lower than in 2021.

UK Equities

The UK market has performed relatively better than other developed equity markets due to relatively high exposure to defensive stocks and commodities but the probability of a recession is growing and we will be looking to take profits as necessary.

Overseas equities

We expect market conditions to remain volatile as higher than expected inflation accelerates the removal of monetary policy accommodation. We are now only moderately overweight overseas equities although we are underweight emerging markets relative to our benchmark weighting. We see no reason to adjust this position as although valuations for emerging markets do not look expensive the market outlook has deteriorated, especially for China.

Outlook

Bonds

Currently the case for chasing returns in lower rated securities is not compelling as economic conditions are less favourable than twelve months ago but valuations are looking more attractive than in recent months. The expectation of higher rates is negative for nominal government bonds and credit markets but some of this expectation is already reflected in market prices. Index-linked gilts give protection against rising inflation but real yields are very low (negative) and likely to rise if nominal yields rise due to higher inflation. We are underweight credit against a backdrop of rising rates and high valuations. At the moment we prefer to take moderate risk in equities.

Real Estate

Property performance has been strong but given the economic backdrop it is expected that there will be an impact on pricing and capital values across all UK real estate sectors. The prime end of the market will be impacted given its low yields but it is still expected that the pricing impact will be greater and more prolonged on secondary assets.

It is expected that the industrial sector will remain the key sector call driven by strong rental growth,. Demand is expected to soften from here given the weakening economic environment but rental growth is still expected to be positive but should return to a more normalised growth rate. The office sector is still expected to come under further structural pressure with secondary assets with poor ESG credentials being at risk as demand continues to focus on best-in-class assets. However, they are still expected to underperform the broader market. Retail performance despite showing some recovery is still likely to be under pressure, with essential and discount led retail expected to be more resilient

The alternatives sector is expected to see continued growth with focus directed to those areas with strong demographic drivers, such as the private residential sector (including student accommodation) and healthcare.

Outlook

Real Estate cont

Following the sale of the smaller retail and risk assets the Fund has a positive weighting to London & SE industrials but could benefit from diversification into healthcare assets, alongside better quality student halls, retail parks and further exposure to supermarkets.

Will look to selectively increase weighting.

Alternatives

The alternative investment market which includes investments within private equity, private debt and infrastructure, have the potential to add value and diversification. They generally generate 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.

Cash

Cash is now at a level that any further cash requirement will be financed by switching among the asset classes.

