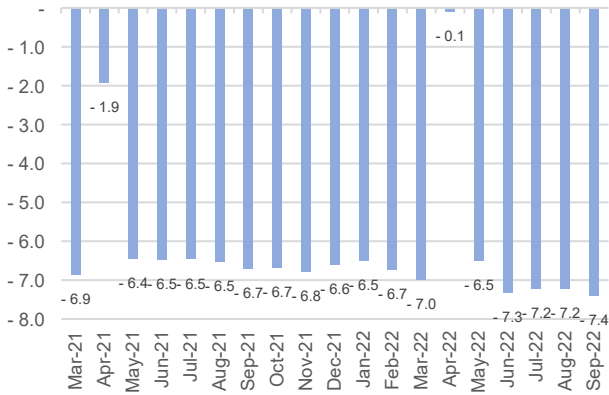
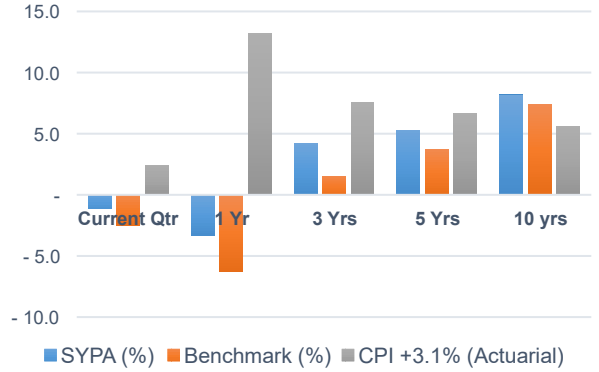


QUARTERLY REPORT TO 30 SEPTEMBER 2022

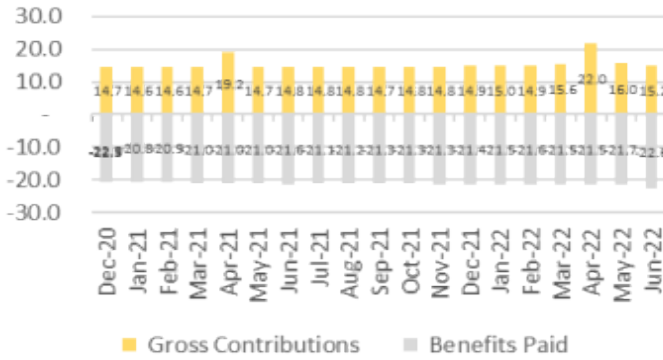
NET CONTRIBUTIONS



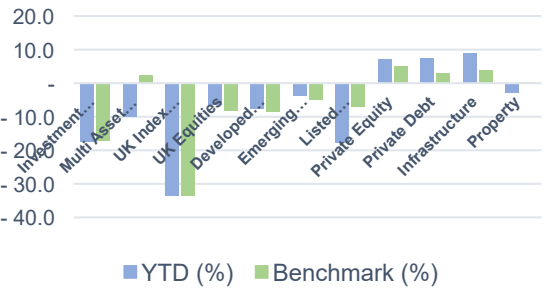
TOTAL FUND RETURN



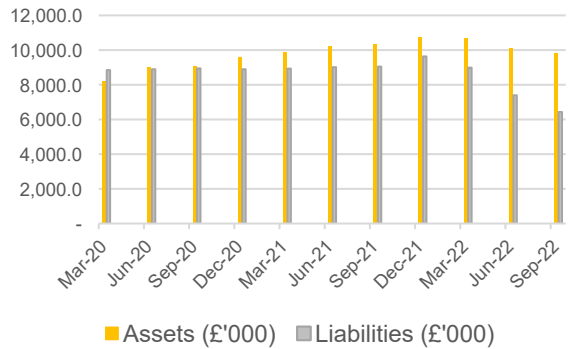
BREAKDOWN OF NET CONTRIBUTIONS



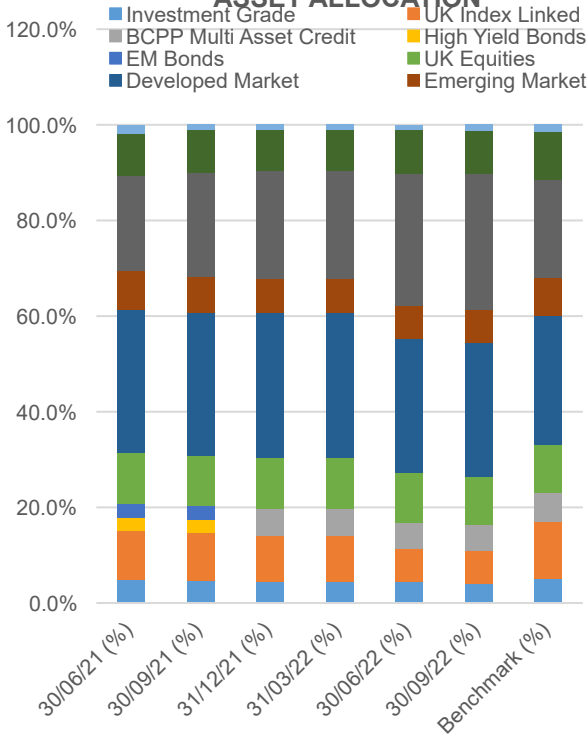
ASSET PERFORMANCE BY TOTAL ASSET CLASS- YEAR TO DATE



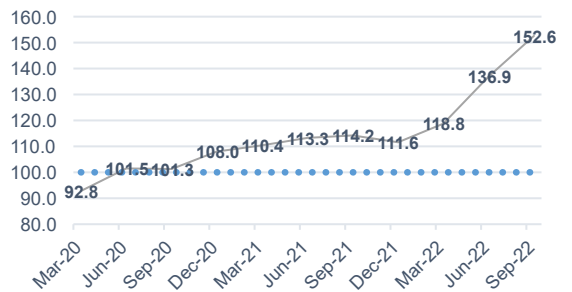
ASSET LIABILITY RATIO SINCE MARCH 2020



ASSET ALLOCATION



FUNDING LEVEL %



Market background

After rallying in July, both bonds and equities fell over the remainder of the quarter. Central banks confirmed their commitment to fighting inflation with the Federal Reserve, the ECB and Bank of England all raising rates during the quarter. Volatility in markets was heightened as investors were concerned about persistent inflation and a slowing growth environment. The Bank of England also announced that they would start Quantitative Tightening (QT) in October.

A key event in the UK was the election of Liz Truss as Prime Minister. The new government announced a fiscal package on September 23rd which contained £45bn of unfunded tax cuts. This was poorly received by the markets and sent sterling to an all time low against the dollar. Gilt yields moved markedly higher and caused problems for liability-driven investment funds (these use derivatives linked to gilt yields to hedge their liabilities). They were forced to sell gilts to raise cash to pay margin calls on their derivative exposures. This led to a vicious cycle, as LDI funds sold gilts, yields and volatility continued to move higher, margin calls increased and LDI funds had to sell more gilts. By late September the index-linked market was becoming dysfunctional and the Bank of England had to intervene by buying gilts directly and delaying the start of QT. This intervention forced yields down but not enough to prevent another quarter of negative returns.

This quarter was another difficult quarter for markets. 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. Although as a sterling investor we saw a flat return on our overseas portfolio due to sterling weakness.

Asian markets suffered the worst losses hurt by substantial falls in Chinese stock markets against the backdrop of a weak economy as China continued with its zero Covid policy with many cities completely locked down. Emerging markets underperformed developed markets against the background of slowing global growth and deteriorating global trade outlook.

Globally, government bond yields were generally higher and credit spreads were wider. Credit spread is the difference in yield between bonds of a similar maturity but with different credit quality. Credit spreads widened on fears that tighter monetary policy would undermine future economic growth .

Sterling investment grade and high yield were the worst performers with European investment grade and high yield as well as well as emerging market credit performing relatively better, but were still negative performers.

Market background

Commodity indexes fell over the quarter driven lower by weaker prices for energy, industrial metals and precious metals. Within agriculture, higher prices for wheat and corn helped to offset price falls for cotton, sugar, coffee and cocoa.

Real estate returns started to show weakness over the quarter with industrials in particular showing negative returns as a weakening UK economy began to weigh on the sector. Capital value declines have been the principal driver in slowing performance as yields have begun to move out, in particular in lower yielding areas of the market. Industrial capital growth fell 8.1% in Q3 2022, with south east industrials reporting the steepest monthly capital value decline since December 2008.

Fund Valuation

as at 30 September 2022

	Jun-22		Quarterly Net	Sep-22		Benchmark	Range
	£m	%	Investment	£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	450.1	4.5	0.0	396.6	4.0	5	
UK ILGs - BCPP	652.8	6.5	60.0	656.5	6.6	10	
UK ILGs SYPA	47.3	0.4	0.0	40.2	0.4		
MAC - BCPP	537.5	5.3	-3.8	520.9	5.3	6	
TOTAL	1687.7	16.7	56.2	1614.2	16.3	21	16-26
UK EQUITIES	1068.4	10.6	-20.0	1017.6	10.2	10	5_15
INTERNATIONAL EQUITIES							
Developed Market - BCPP	2817.5	27.9	-60.0	2770.9	27.9	27.125	
Developed Market - SYPA	19.6	0.2	-20.5	0.0	0.0		
Emerging Market - BCPP	703.5	7.0	0.0	694.7	7.3	7.875	
Emerging Market - SYPA	1.0	0.0	0.0	1.0	0.0		
TOTAL	3541.6	35.0	-80.5	3466.6	34.9	35	30-40
LISTED ALTERNATIVES - BCPP	180.2	1.8	0.0	172.2	1.7	0	
PRIVATE EQUITY							
BCPP	169.2		18.8	207.4			
SYPA	910.8		-23.8	910.5			
TOTAL	1080.0	10.6	-5.0	1117.9	11.3	7	5_9
PRIVATE DEBT FUNDS							
BCPP	56.4		16.9	77.0			
SYPA	504.9		-12.3	504.1			
TOTAL	561.3	5.6	4.6	581.1	5.9	5.5	4.5-6.5
INFRASTRUCTURE							
BCPP	228.0		13.5	235.8			
SYPA	719.5		-23.4	721.7			
TOTAL	947.5	9.4	-9.9	957.5	9.6	10	7_13
PROPERTY	940.5	9.3	3.2	878.0	8.8	10	8_12
CASH	98.3	1.0		130.3	1.3	1.5	0-5
TOTAL FUND	10105.5	100.0		9935.4	100.0	100	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	1503.7			1685.8			

Asset Allocation Summary

We reduced our overweight position to listed equity holdings by £100.5m, £20m from UK equities and £80.5m from overseas developed equities to fund a £60m investment into Index-Linked Gilts which reduced the underweight position and to fund further drawdowns into private equity, private debt and infrastructure funds.

Gilt yield volatility continued with inflation concerns being the main driver. The Bank of England raised interest rates by 0.5% in August and 0.5% in later September to end at 2.25% and also announced that quantitative tightening would start in October. We used this volatility to reduce our underweight position to index-linked gilts.

Within the commercial property portfolio we sold two small holdings, a retail unit at St Peter's Street in St Albans and Castle Hill House, an office in Maidenhead. There was also a liquidating redemption made from the SL Retail PUT. However, this was offset by drawdowns on the CBRE loans that we have and into the residential funds that we hold.

After the trades mentioned above there is now only one category that is outside its tactical range and this is private equity.

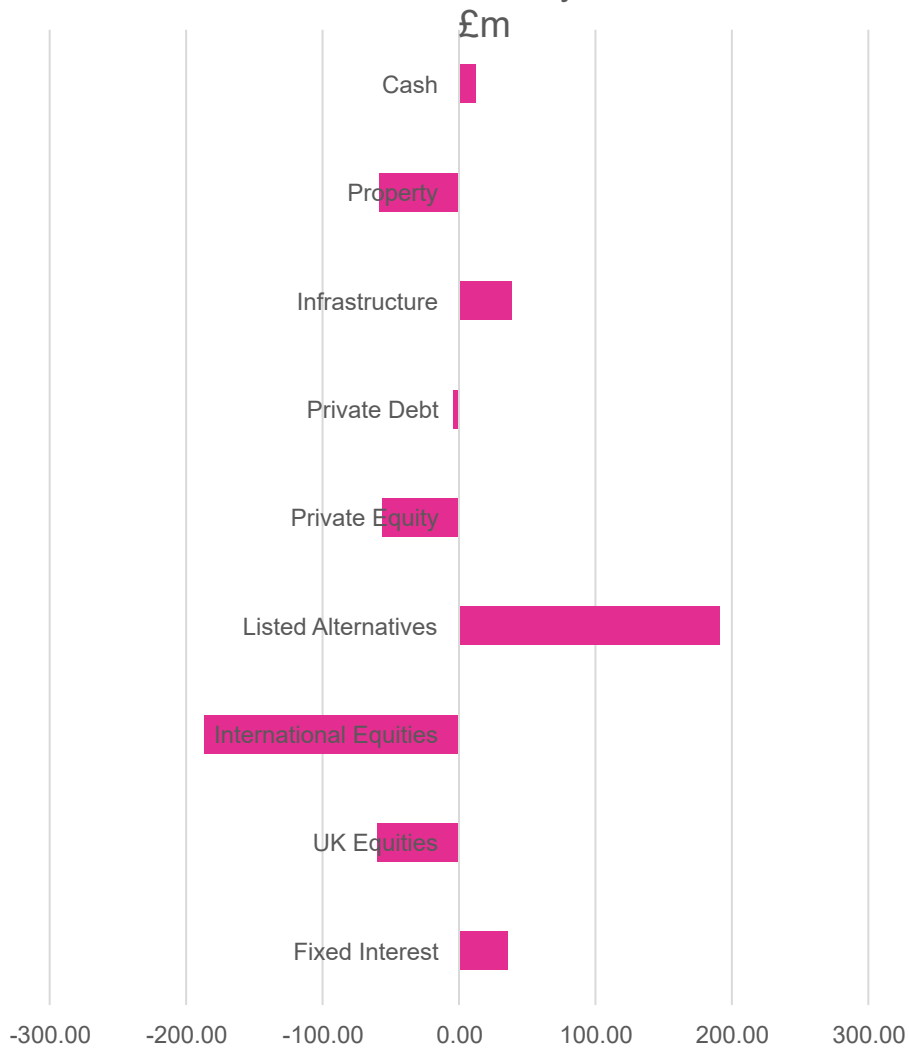
Our private equity fund holdings have started to show the first signs of topping out in terms of valuation but due to the relative under-performance of other asset classes we actually saw an increase in weighting to this category. We have been reducing our annual commitment to this category over the last few years and as realisations come through the overall weighting should reduce.

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

Net Investment over the year to 30.9.22



Asset Allocation Summary

Strategic vs Current Asset Allocation					
Asset Class	SAA Target	Range	Current Asset Allocation		
	%	%	£m	%	OW/UW
Index Linked Gilts	10	7 - 13	696.7	7.0	-3.0
Sterling Inv Grade Credit	5	4 - 6	396.6	4.0	-1.0
Multi Asset Credit	6	4 - 8	520.8	5.2	-0.8
UK Equities	10	5 - 15	1017.6	10.2	0.2
Overseas Equities	35	30 - 40	3466.6	34.9	-0.1
Private Equity	7	5 - 9	1117.9	11.3	4.3
Private Debt	5.5	4.5-6.5	581.1	5.8	0.3
Infrastructure	10	7 - 13	957.5	9.6	-0.4
Listed Infrastructure	0	0-2	172.2	1.7	1.7
Property	10	8 - 12	878	8.8	-1.2
Cash	1.5	0 - 5	130.3	1.3	-0.2
Total	100		9935.3	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 September 2022

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	-11.2	-11.0	-17.4	-17.0
UK ILGs	-11.2	-11.1	-33.4	-33.4
Multi Asset Credit - BCPP	-2.4	1.2	-10.1	2.3
UK EQUITIES	-2.9	-3.4	-6.5	-8.3
INTERNATIONAL EQUITIES				
Developed Market - BCPP	0.5	0.2	-7.7	-8.4
Developed Market - SYPA	5.1	0.2	-4.7	-8.4
Emerging Market - BCPP	-1.3	-2.3	-3.7	-5.0
Emerging Market - SYPA	-1.6	-2.3	4.0	-5.0
TOTAL	0.2	-0.3	-6.9	-7.6
PRIVATE EQUITY	4.0	2.4	7.0	4.9
PRIVATE DEBT FUNDS	2.8	1.5	7.5	3.0
INFRASTRUCTURE	5.7	1.9	9.0	3.9
PROPERTY	-5.0	-2.5	-2.8	0.4
CASH	0.4	0.4	0.6	0.6
TOTAL FUND	-1.1	-2.5	-6.1	-8.1

Performance Summary

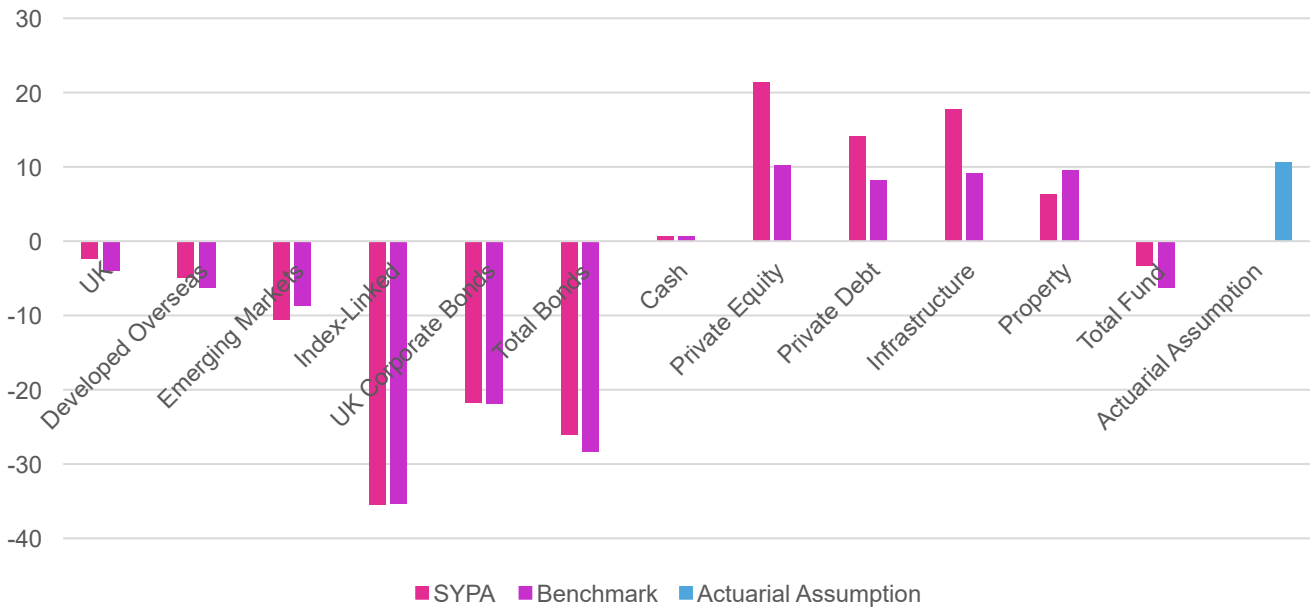
For the quarter to the end of September, the Fund returned -1.1% against the expected benchmark return of -2.5%. Asset allocation decisions taken together added 0.6% and stock selection added 0.8%

The breakdown of the stock selection is as follows:-

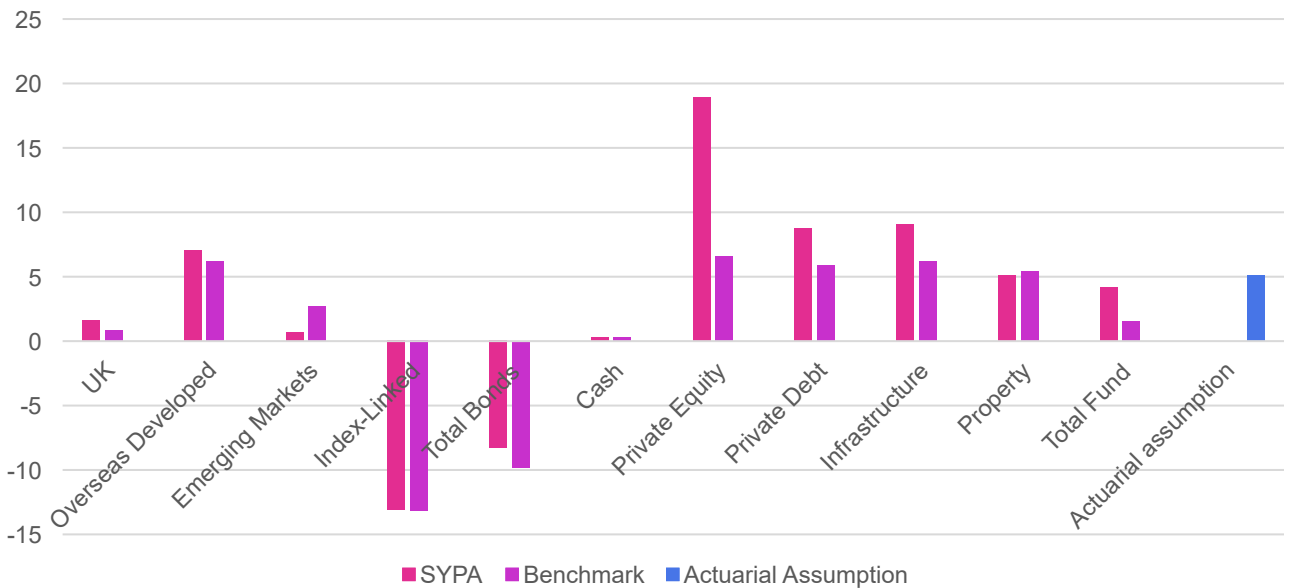
UK Equities	0.1%
Overseas Equities	0.2%
Total Bonds	0.5%
Listed Alternatives	-0.2%
Private Equity funds	0.2%
Infrastructure funds	0.2%
Property	-0.2%

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 real estate where the sharp rise in yields negatively impacted property valuations.

The Overseas Developed Market portfolio continued its steady outperformance with stock selection in Europe ex-UK in particular adding to performance as well as strong stock selection within industrials across most regions, together with relatively low exposure to Real Estate and Utilities. .

The Emerging Market portfolio out-performed the benchmark this quarter by 1.4%, with all three managers outperforming their target index, but is still behind the benchmark since inception.

Gilt yield volatility increased significantly as inflation continued to rise and the Bank of England raised interest rates twice, from 1.25% to 1.75% in August and by a further 0.5% to 2.25% in September and also announced that quantitative tightening (QT) would start in October. Events worsened after the mini budget on the 23rd September as £45bn of unfunded tax cuts were announced. This caused gilt yields and volatility to lurch higher. As the market became dis-functioning the Bank of England had to intervene by buying gilts directly and delaying the start of QT. This forced yields down but it still resulted in a total return for the benchmark index of -11.1%. The portfolio outperformed by 0.2% by being overweight to ultra-long linkers which were the better performers.

Credit spreads only moved slightly over the quarter but the Sterling Investment Grade credit portfolio underperformed its benchmark by 0.25% with all managers underperforming. As we expect the long-term outperformance to be primarily generated through security selection, through incremental yield and the compression of credit spreads it is not unexpected that at periods of stress, there will be occasions where the portfolio underperforms. M&G as the most defensive manager is the only manager that is showing excess returns on a year-to date basis. RLAMs higher sensitivity to changes in credit spreads means that in the short term they have lagged their peers. From inception all the managers have achieved outperformance.

Performance – Border to Coast Funds

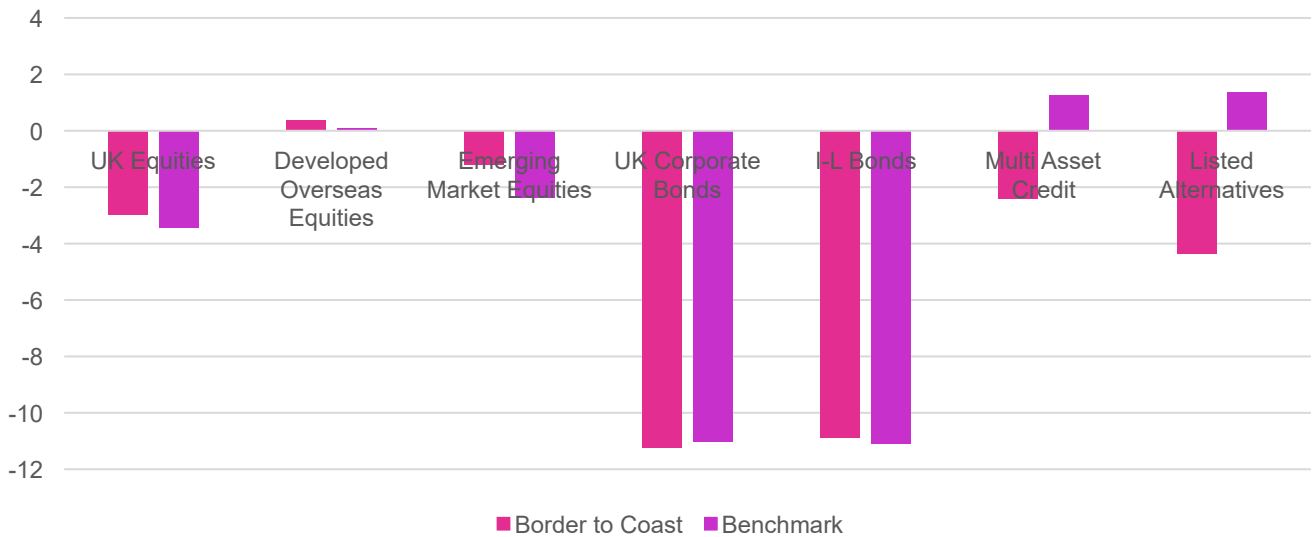
The Multi-Asset Credit fund has an absolute return benchmark and this quarter all the underlying fixed income asset classes experienced weak performance and thus led to underperformance. They only slightly underperformed their secondary benchmark (-0.4%) in totality although Ashmore (local currency EM bonds) and Barings (Leveraged loans) relatively underperformed the most.

The Listed Alternatives fund showed underperformance for the quarter and is now also underperforming since inception. The portfolio has a diversified portfolio which includes listed assets in infrastructure, specialist real estate, private equity and alternative credit. Assets with high interest rate sensitivity were adversely impacted as rates rose sharply. The fund also has a structural overweight to UK listed assets and the weakness of sterling caused underperformance relative to broader global benchmarks.

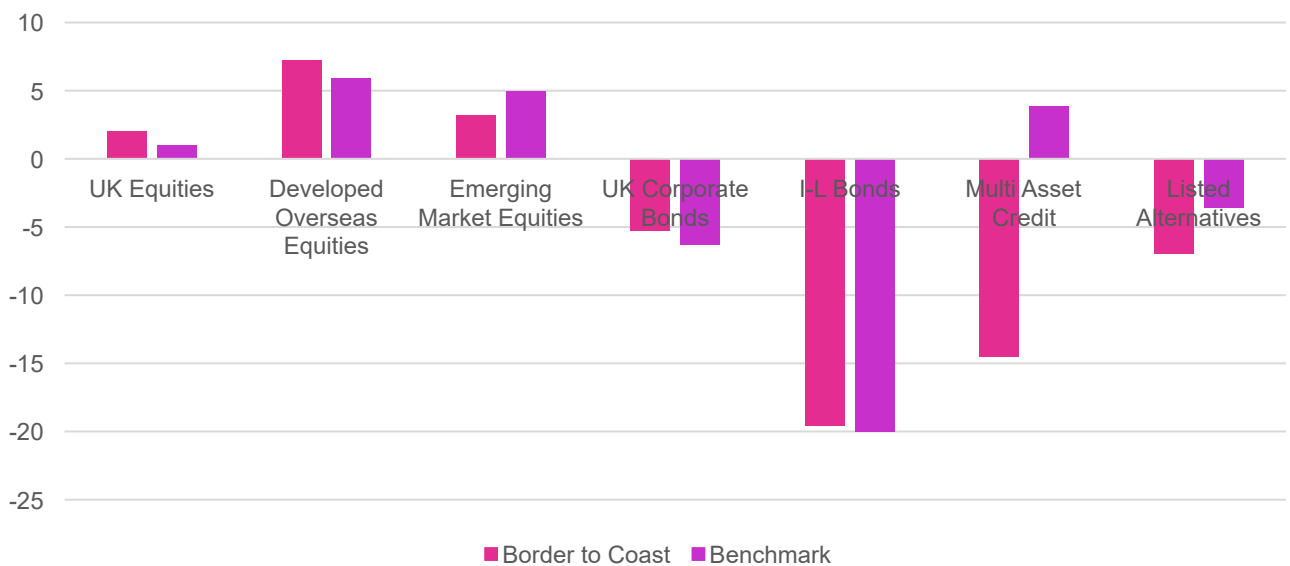
The charts below show quarterly returns but also the longer term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds

Border to Coast Funds - quarter to September 22



Border to Coast Funds - Since Inception



Funding Level

The funding level as at 30 September 2022 is estimated to be 154%

The breakdown is as follows:

Fund's Assets at 30 September	£9,935
Funds estimated Liabilities at 30 September	£6,430

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 2022

Please note that the discount rate to calculate the liabilities was at its peak on the 30th September. This has since fallen back and the funding level will be somewhere between 119% (March 2022 level) and the figure shown above.

Outlook

Risks of a global recession have intensified. 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 has become more 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 2022.

UK Equities

The UK market has performed relatively better than other developed equity markets this year due to relatively high exposure to defensive stocks and commodities but it is accepted that we are already in recession and we will be looking to take profits as necessary. Would like to have a fairly neutral weighting

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. Will look to continue rebalancing total overseas weighting towards neutral.

Outlook

Bonds

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 have benefited from being underweight bonds as rates have been increasing but we now see better value in bonds so will be rebalancing into bonds, with preference for index-linked bonds given our very underweight position.

Real Estate

UK real estate is now in the midst of a broad repricing and performance over the remainder of the year and into 2023 are expected to deteriorate. Capital value impacts are expected to be greater on secondary assets which do not meet current occupational and investor demand.

Construction cost inflation has been rising throughout 2022 and has resulted in the number of development projects falling across most sectors, as investors struggle with the financial viability of new developments. This will further reduce the supply of UK real estate.

So, although the repricing of UK real estate will continue the income resilience which UK real estate should provide as a result of the current positive occupational environment, is likely to soften the impact on performance through the anticipated economic downturn.

Although our portfolio performance is expected to be hit in the short term due to lower yielding core industrial stock being repriced as the margin between prime yields and the risk free rate narrows, over the medium term the fundamentals for the sector remain positive. Low exposure to offices is a positive but diversification by increasing the exposure to residential (student accommodation in particular), retail warehousing, supermarkets and potentially other alternatives sectors such as healthcare would be recommended.

Will look to selectively increase weighting.

Outlook

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. The allocations are being weighted more towards private credit which tend to benefit from the linkage to floating rates in a period of rising rates and to infrastructure investments that have a particularly high level of linkage to inflation and have secure income characteristics.

Cash

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

