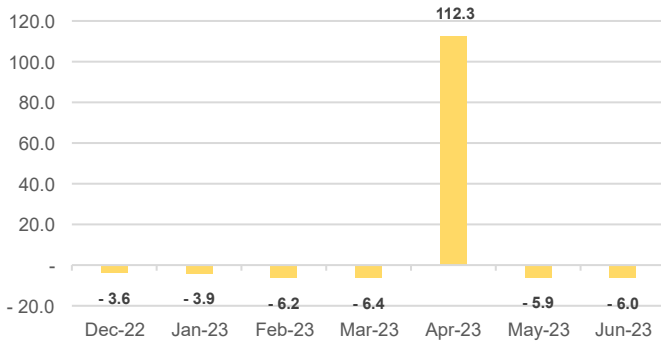
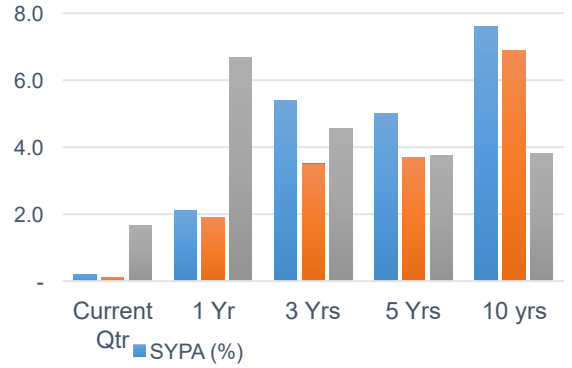


QUARTERLY REPORT TO 30 JUNE 2023

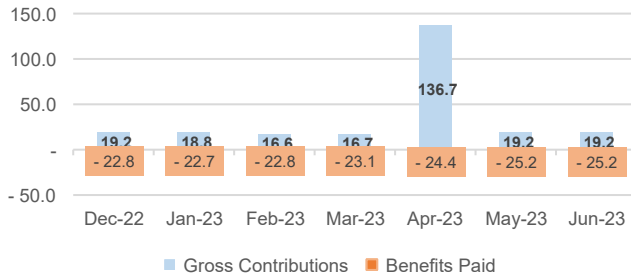
NET CONTRIBUTIONS



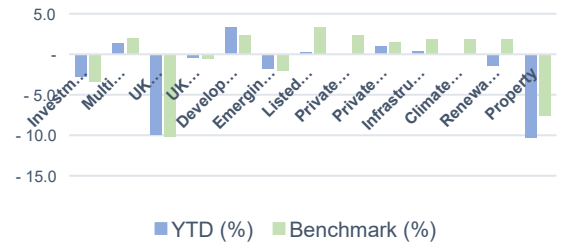
TOTAL FUND RETURN



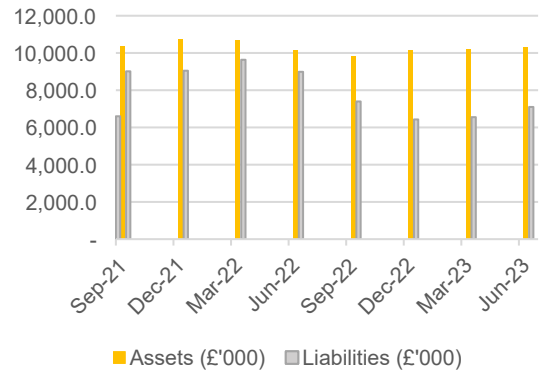
BREAKDOWN OF NET CONTRIBUTIONS



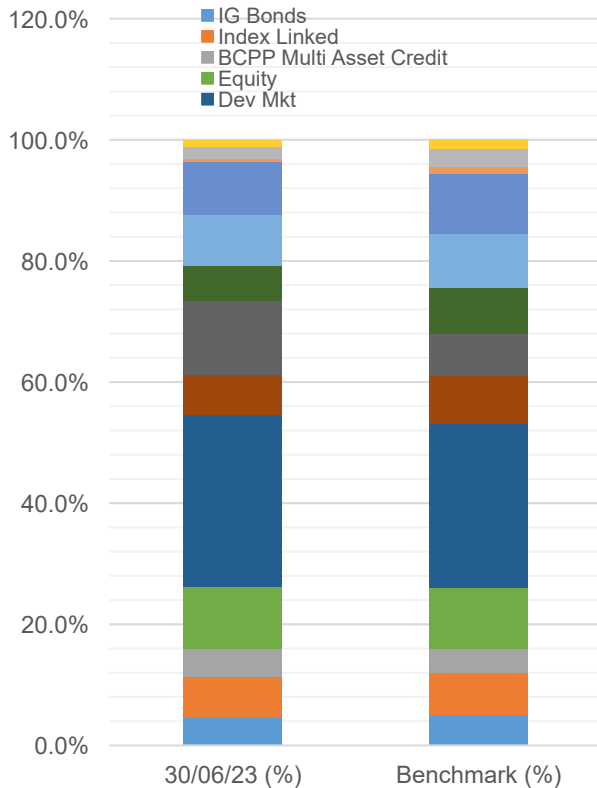
ASSET PERFORMANCE BY TOTAL ASSET CLASS- YEAR TO DATE



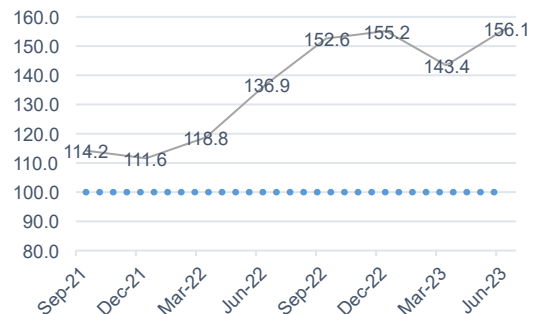
ASSET LIABILITY RATIO SINCE SEP 2021



ASSET ALLOCATION



FUNDING LEVEL %



Market background

For most of the quarter uncertainty continued as inflation proved to be more stubborn than anticipated and interest rates continued to rise over the period. After protracted negotiations, an agreement to suspend the US debt ceiling until January 2025 was reached in May, removing the risk of default. Equities rallied towards the end of the quarter with advances led by the US market as technology stocks were boosted by enthusiasm over A.I. while emerging markets lagged. Chinese markets fell as poor economic data in China resulted in the Chinese Central Bank lowering interest rates.

Globally, government bond yields rose again although there was divergence across markets. The UK underperformed because although we have seen a drop from the 11% peak last year inflation remains above 8% as wages, housing and core prices that exclude energy and food remain stubbornly high. The resolve by the Bank of England to combat inflation saw an increase in interest rates by a larger than expected 50 basis points in June. With the exception of the Bank of Japan, all major central banks raised interest rates over the quarter. However, the Federal Reserve paused in June, leaving rates at 5%. They have announced that the next move will be data dependent. It is now expected that interest rates will remain higher for longer.

UK Index-Linked bonds had significant negative returns as the UK 10 year yield jumped from 3.49% to 4.39%. Sterling Investment Grade credit although also giving negative performance outperformed and high yield bonds outperformed UK investment grade.

Commodity indexes showed a negative performance over the quarter. Industrial metals and energy were the worst performing sectors. Within industrial metals, zinc, nickel and aluminium were all sharply lower in the quarter. Within energy, prices for crude oil, Brent crude, heating oil and gas oil all declined, while prices for natural gas and unleaded gasoline were modestly higher.

Market background

Pricing began to stabilise in the property market during the quarter, particularly in those areas of the market that had seen the greatest capital declines. All property sectors posted positive total returns with residential being the strongest performing sector and offices the weakest performing sector. While performance has improved, transaction activity was muted with volumes down 64% on the same period a year earlier , and 63% below the 10-year quarterly average.

Fund Valuation

as at 30 June 2023

	Mar-23		Quarterly Net	Jun-23		Benchmark	Range
	£m	%	Investment	£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	435.8	4.3	80.0	496.2	4.8	5	
UK ILGs - BCPP	702.9	6.9	0.0	633.3	6.2	7	
UK ILGs SYPA	37.9	0.4	0.0	33.6	0.3		
MAC - BCPP	562.7	5.5	-84.7	484.7	4.7	4	
TOTAL	1739.3	17.1	-4.7	1647.8	16.0	16	Nov-21
UK EQUITIES	1057.7	10.4	0.0	1053.9	10.2	10	5_15
INTERNATIONAL EQUITIES							
Developed Market - BCPP	2845.9	28.0	-20.0	2922.6	28.4	27.125	
Emerging Market - BCPP	695.8	6.8	0.0	683.3	6.6	7.875	
Emerging Market - SYPA	0.8	0.0	0.0	0.7	0.0		
TOTAL	3542.5	34.8	-20.0	3606.6	35.0	35	30-40
LISTED ALTERNATIVES -BCPP	155.8	1.5	0.0	156.1	1.5	0	
PRIVATE EQUITY							
BCPP	246.1		26.0	279.4			
SYPA	835.7		-1.9	825.7			
TOTAL	1081.8	10.6	24.1	1105.1	10.7	7	5_9
PRIVATE DEBT FUNDS							
BCPP	115.6		9.9	129.5			
SYPA	477.5		-4.7	473.7			
TOTAL	593.1	5.8	5.2	603.2	5.9	7.5	5.5-9.5
INFRASTRUCTURE							
BCPP	324.8		48.2	375.8			
SYPA	696.8		-0.8	476.4			
TOTAL	1021.6	10.0	47.4	852.2	8.3	9	6_12
RENEWABLE ENERGY			18.0	209.5	2.0	3	1_5
CLIMATE OPPORTUNITIES	30.9	0.3	6.1	60.2	0.6	1	0-3
PROPERTY	862.1	8.5	23.9	890.9	8.6	10	8_12
CASH	97.1	1.0		116.7	1.1	1.5	0-2.5
TOTAL FUND	10181.9	100.0		10302.2	100.0	100	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	1579.8			1562.4			

Asset Allocation Summary

After the agreement by the Authority of the new strategic benchmark in March, we introduced the first changes to the benchmark from 1st April. The new categories of Renewables and Climate Opportunities were introduced and further changes to weightings will be made as commitments are made to these new categories. Work will be undertaken on the Natural Capital category and this will be added when possible.

We continued to reduce our overweight position to listed equity funds. We sold £20m from overseas developed equities and together with the prepayment contributions received from some employers in April we funded £100m of drawdowns to the alternative asset classes, with £6m invested in Climate Opportunities, £18m into Renewable funds, £47m into other infrastructure funds, £5m into private debt funds and £24m into private equity funds.

Within bonds we switched £80m from the MAC portfolio to Sterling Investment Grade Credit to rebalance the weightings.

Within property there were further drawdowns on the CBRE loans and we bought the freehold interest in 1 Acre Road, Reading for £450,000 (we already held a long leasehold interest in the asset).

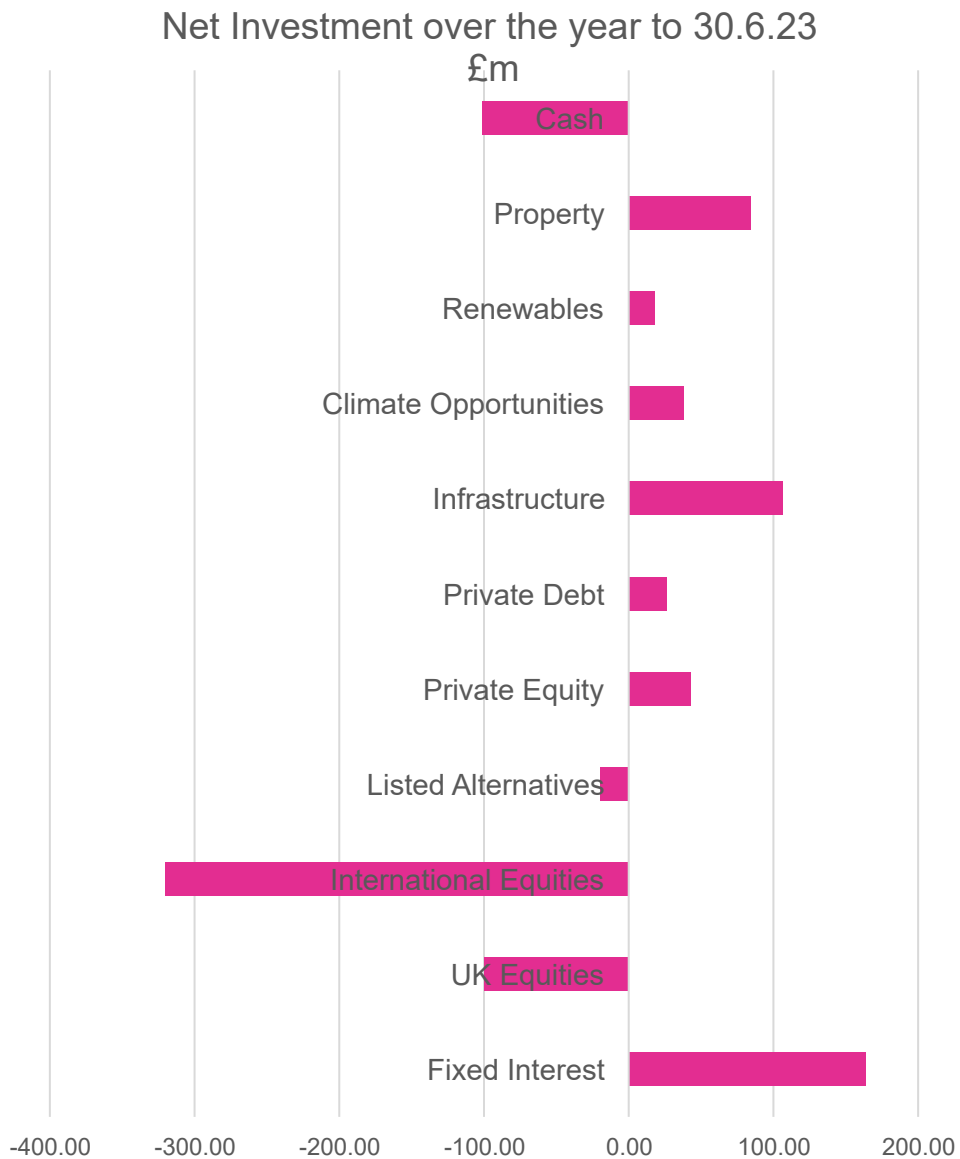
After the trades mentioned above there is now only one category that is outside its tactical range and this is private equity.

We have seen a slight reduction 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 continue to 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.

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	7	5 - 9	666.9	6.5	-0.5
Sterling Inv Grade Credit	5	4 - 6	496.2	4.8	-0.2
Multi Asset Credit	4	2 - 6	484.7	4.7	0.7
UK Equities	10	5 - 15	1053.9	10.2	0.2
Overseas Equities	35	30 - 40	3606.6	35.0	0.0
Private Equity	7	5 - 9	1105.1	10.7	3.7
Private Debt	7.5	5.5-9.5	603.2	5.9	-1.6
Infrastructure	9	6 - 12	852.2	8.3	-0.7
Renewables	3	1-5	209.5	2.0	-1.0
Listed Infrastructure	0	0-2	156.1	1.5	1.5
Climate Opportunities	1	0-2	60.2	0.6	-0.4
Property	10	8 - 12	890.9	8.6	-1.4
Cash	1.5	0.5 - 2.5	116.7	1.1	-0.4
Total	100		10302.2	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 2023

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	-2.8	-3.4	-2.8	-3.4
UK ILGs	-10.0	-10.2	-10.0	-10.2
Multi Asset Credit - BCPP	1.4	2.0	1.4	2.0
UK EQUITIES	-0.4	-0.5	-0.4	-0.5
INTERNATIONAL EQUITIES				
Developed Market - BCPP	3.4	2.3	3.4	2.3
Emerging Market - BCPP	-1.8	-2.0	-1.8	-2.0
TOTAL	2.4	1.3	2.4	1.3
PRIVATE EQUITY	-0.1	2.4	-0.1	2.4
PRIVATE DEBT FUNDS	1.0	1.5	1.0	1.5
INFRASTRUCTURE	0.4	1.9	0.4	1.9
RENEWABLES	-1.4	1.9	-1.4	1.9
CLIMATE OPPORTUNITIES	0.0	1.9	0.0	1.9
PROPERTY	1.3	1.2	1.3	1.2
CASH	1.1	1.1	1.1	1.1
TOTAL FUND	0.2	0.1	0.2	0.1

Performance Summary

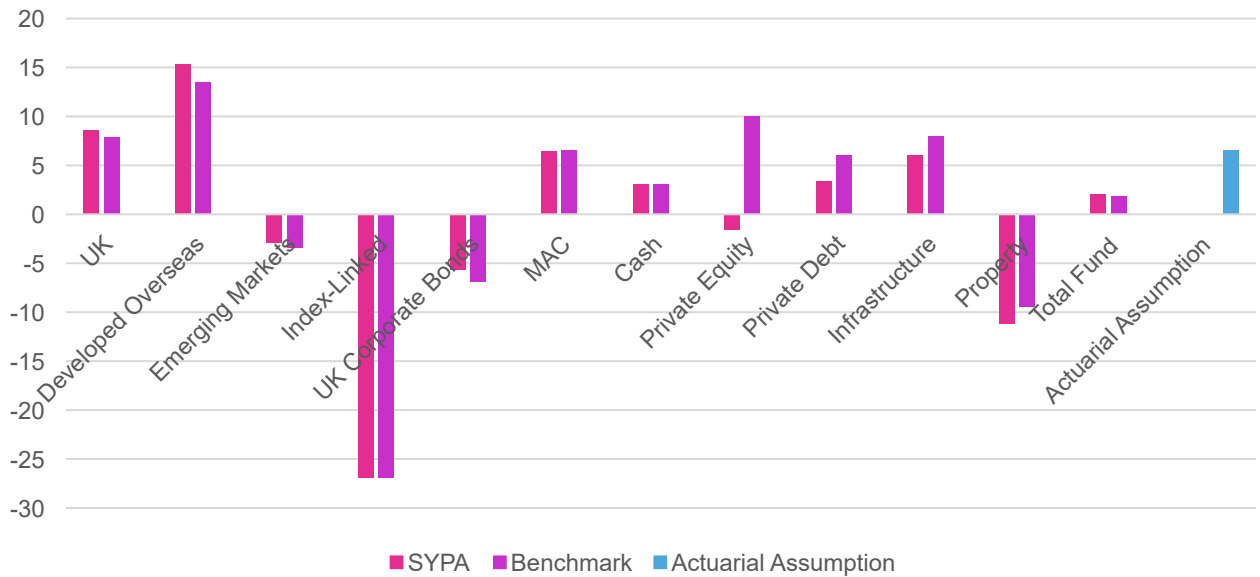
For the quarter to the end of June, the Fund returned 0.2% against the expected benchmark return of 0.1%. Asset allocation decisions taken together had no impact with stock selection having a slightly positive impact overall.

The breakdown of the stock selection is as follows:-

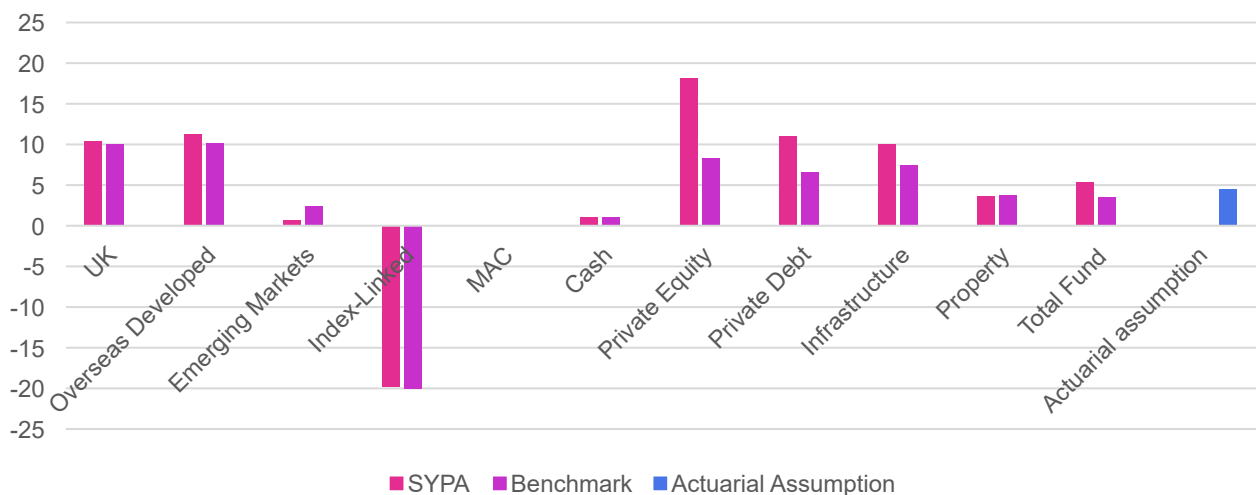
Overseas Developed market equities	0.3%
MAC fund	0.2%
Other bonds	0.1%
Infrastructure funds	-0.1%
Renewables	-0.1%
Private Equity funds	-0.3%
Property	0.1%

Performance-Medium term

1yr Performance by Asset Class



3YR Annualised Performance by Asset Class



Performance – Border to Coast Funds

The UK equity portfolio showed marginal outperformance of its benchmark this quarter and is now achieving its target return since inception. The portfolio benefited by its underweight position to telecommunications and by its overweight position to industrials in particular to Melrose and Ferguson

The Overseas Developed Market portfolio outperformed strongly returning 3.4% against the expected benchmark of 2.1%. Outperformance was delivered across all geographic segments but the key driver of absolute performance was the portfolio's US equity exposure with companies with exposure to specific market themes such as AI performing exceptionally well. The portfolio is ahead of its target since inception.

The Emerging Market portfolio outperformed the benchmark this quarter by 0.27%, with both external Chinese managers performing in line with their target index and the internal manager again outperforming. The portfolio is ahead of benchmark for the year but is still behind the benchmark since inception.

The index-linked portfolio generated a total return of -9.92% during the quarter, compared to the benchmark return of -10.19%. The outperformance was driven by a tightening in credit spreads on the corporate holdings and the underweight duration stance as yields rose. The portfolio has met its target since inception.

The Sterling Investment Grade Credit fund generated a return of -2.83% but this was ahead of the benchmark return of -3.39%. There was positive relative contributions from all three managers. From inception all the managers have achieved outperformance of their target.

The Multi-Asset Credit fund has an absolute return benchmark and this quarter although it returned a positive return of 1.4% it was still behind its cash benchmark. The only area of outperformance was the Wellington high yield portfolio. The fund is still behind target from inception with only the internal team and Wellington outperforming their benchmark.

Performance – Border to Coast Funds

The Listed Alternatives fund showed underperformance for the quarter. The portfolio has a diversified portfolio which includes listed assets in infrastructure, specialist real estate, private equity and alternative credit. The Fund returned -0.22% over the quarter, taking returns since inception to -3.57%. Listed Alternative assets have lagged global equity markets over the period, with the MSCI ACWI Index returning 3.3% in the last quarter and 4.29% since the launch of the Fund. The Fund's sensitivity to interest rates was the primary driver of underperformance, with a historically aggressive monetary tightening cycle proving challenging for many long-duration assets including real estate and long-dated bonds

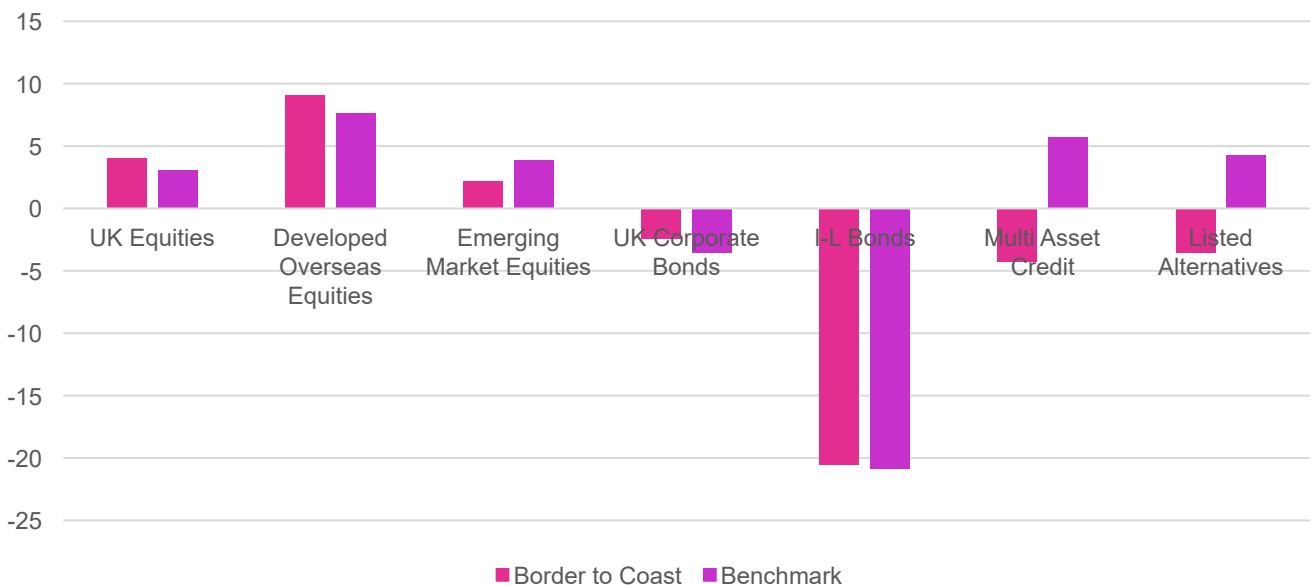
The charts below show quarterly returns but also the longer term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds

Border to Coast Funds - quarter to June 23

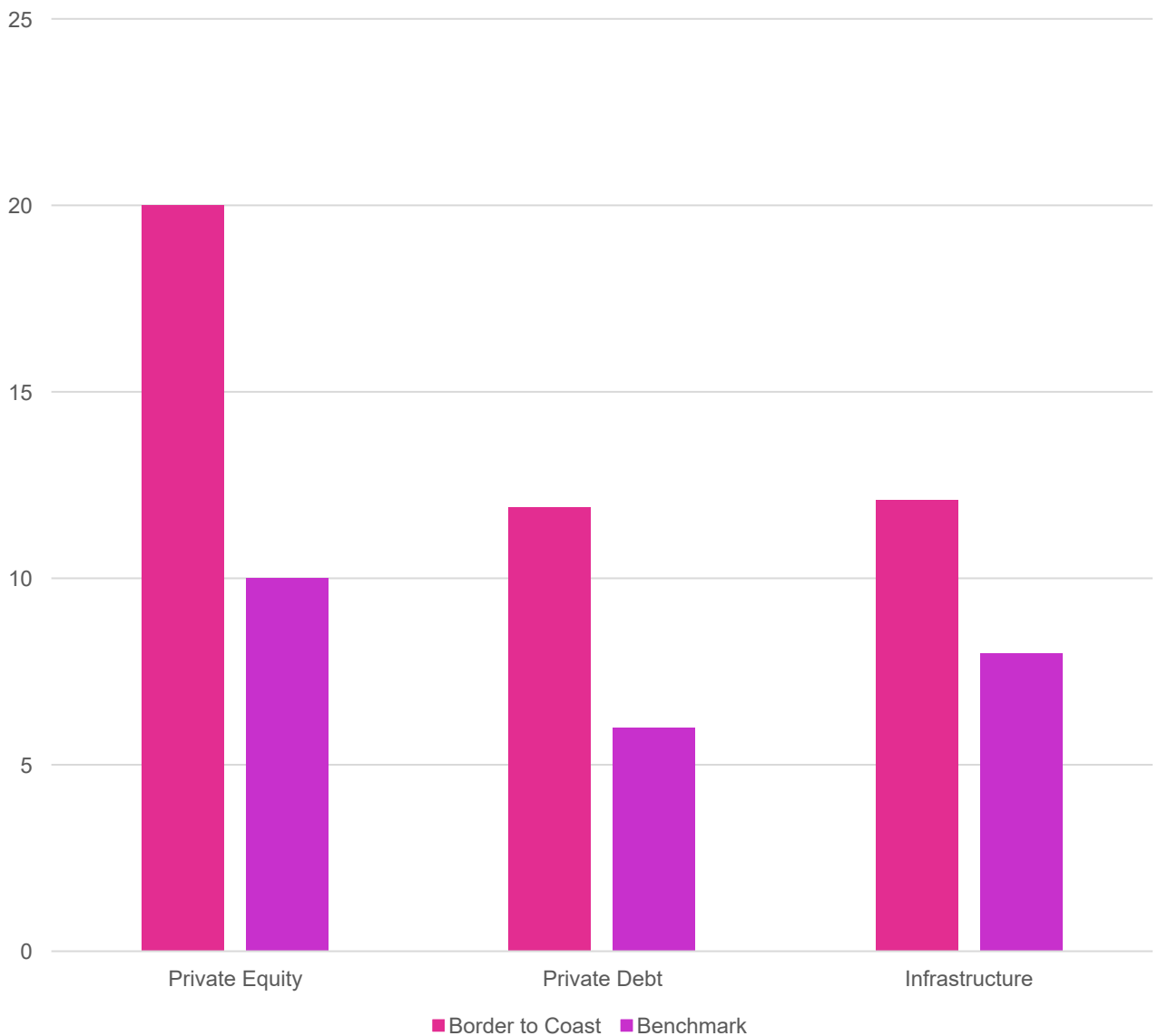


Border to Coast Funds - Since Inception



Performance-Border to Coast Alternative Portfolios

Border to Coast Alternative Funds - Since Inception



Funding Level

The funding level as at 30 June 2023 is estimated to be 156.1%

The breakdown is as follows:

Fund's Assets at 30 June	£10,302.2
Funds estimated Liabilities at 30 June	£6,600

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

Outlook

Central bank's fastest tightening in 40 years and the faltering recovery in China is leading to a volatile outlook for the global economy. We remain optimistic for the outlook for equities over the long term but in the near term challenges remain. The persistence of inflationary expectations across developed markets is giving central banks little room to manoeuvre if they wish to avoid a recession but stay true to their 2% inflation target. With this background we expect rates to remain higher for longer.

UK Equities

The UK still has reasons for investors to be nervous about the outlook. Headline inflation in the UK is falling more slowly than elsewhere but core inflation is not. The housing market is vulnerable given higher rates, the cost-of-living crisis is still hurting, wage inflation is impacting margins and there are still issues with post-Brexit trading arrangements. The Bank of England has responded by raising rates further and is willing to tolerate weak activity outcomes if that is what is needed to control inflation. Markets are now expecting a rate peak of circa 6% and thus the short term outlook is still uncertain and recession risk is greater in the UK than elsewhere. However, the UK stock market is only loosely tied to the health of the UK economy and in terms of valuations the FTSE 100 is currently trading on less than 11 times expected earnings which is a huge discount to the US market and is also cheaper than shares in any other developed market. Would like to have a fairly neutral weighting.

Overseas equities

We expect market conditions to remain volatile. In the current environment we would prefer low valuations so that there is a margin of safety for equities. This can be found across European and Japanese equities but the US markets do not look as attractive. Opportunities can be found in specific companies but the broader US market is trading above its historic ten year average valuation. Will look to continue rebalancing total overseas weighting towards neutral.

Outlook

Bonds

As we are nearing the top of the interest rate tightening cycle, bonds are beginning to look more attractive. We have benefited from being underweight bonds as rates have been increasing and have taken the opportunity to rebalance our bond weighting. We are currently weighted towards higher risk bonds but will use market opportunities to rebalance across the different bond categories

Real Estate

The portfolio remains heavily weighted towards industrials and very underweight in offices, with mild underweight positions in retail and alternatives.

The strongest rental and capital growth over the next five years is expected to be seen in the residential and industrial sectors and in selected alternative markets. The recommendation is to maintain the overweight to industrials but to increase the exposure to selected alternatives and to deploy capital to build a position in the residential sector.

The focus will still be on good quality assets with strong ESG credentials.

Will look to selectively increase our weighting.

Alternatives

We are looking to add further investments into this asset class with the allocations 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, in particular to renewable energy funds that have a particularly high level of linkage to inflation and have secure income characteristics. We are also adding further to climate opportunity funds.

Outlook

Cash

We received the pre-payment of contributions in April but the deployment to the alternative sectors has reduced this to a level that further cash requirements would necessitate switching among the asset classes,

