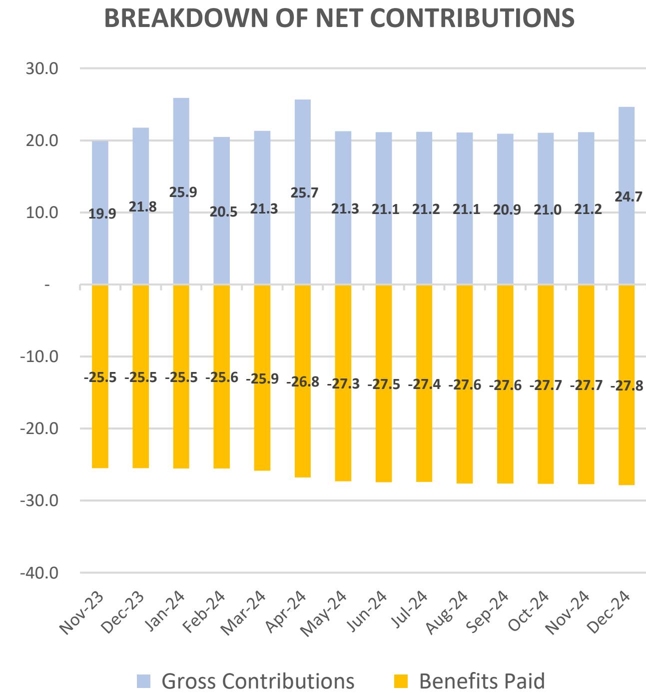
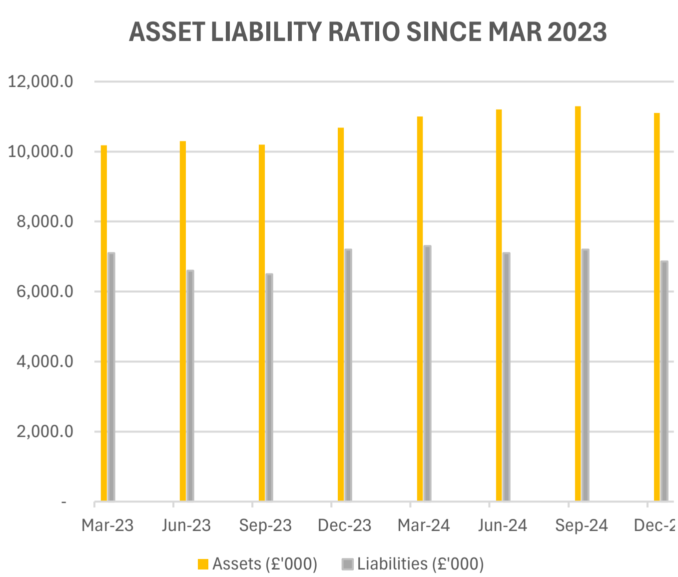
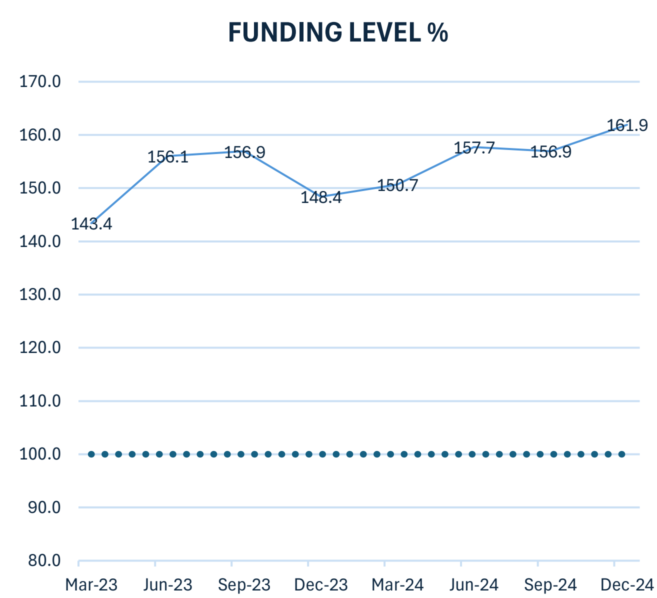
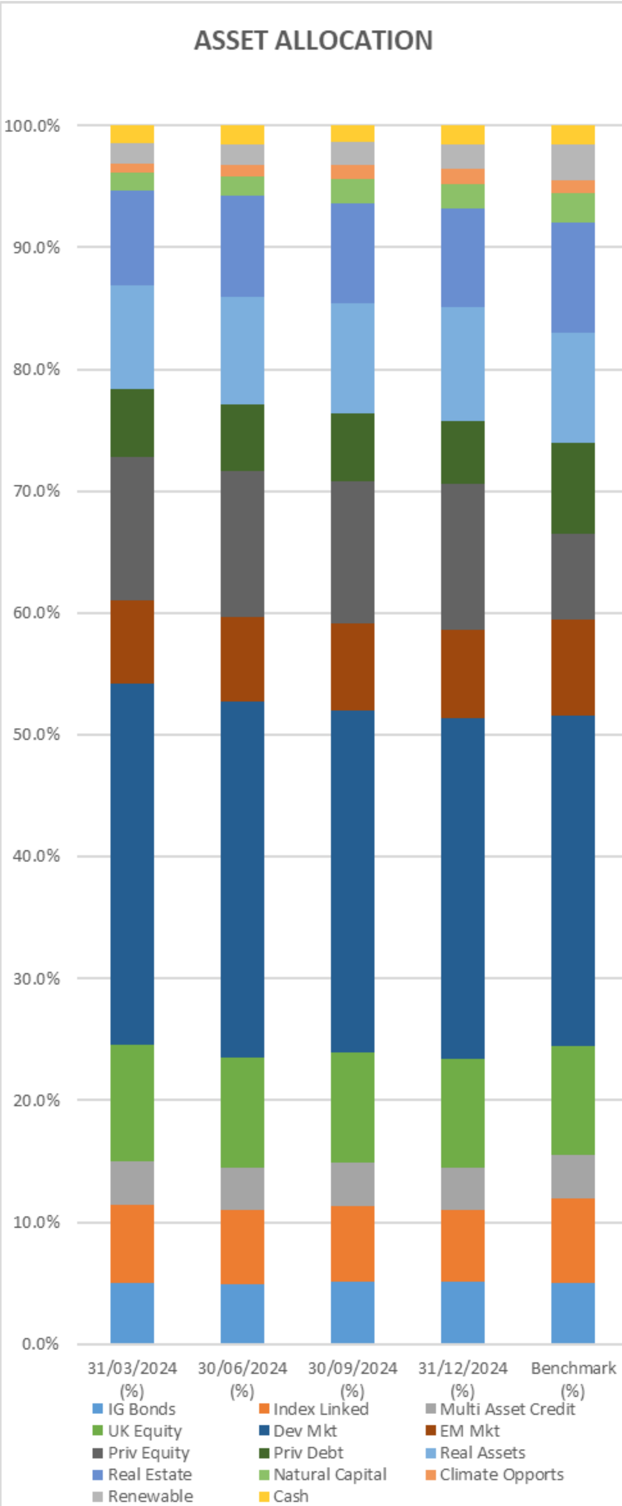
QUARTERLY REPORT
TO 31 DECEMBER 2024


NET CONTRIBUTIONS
0.4
-5.6
-3.7
-5.1
-4.5
-1.1
-6.1
-6.3
-6.2
-6.5
-6.7
-6.6
-6.6
-3.2
Nov-23 Dec-23 Jan-24 Feb-24 Mar-24 Apr-24 May-24 Jun-24 Jul-24 Aug-24 Sep-24 Oct-24 Nov-24 Dec-24

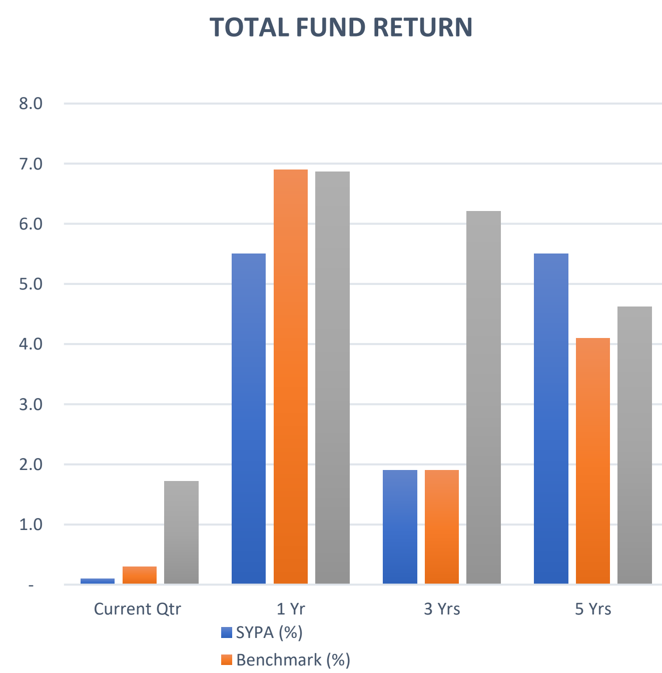

BREAKDOWN OF NET CONTRIBUTIONS
19.9 21.8 25.9 20.5 21.3 25.7 21.3 21.1 21.2 21.1 20.9 21.0 21.2 24.7
-25.5 -25.5 -25.5 -25.6 -25.9 -26.8 -27.3 -27.5 -27.4 -27.6 -27.6 -27.7 -27.7 -27.8
Nov-23 Dec-23 Jan-24 Feb-24 Mar-24 Apr-24 May-24 Jun-24 Jul-24 Aug-24 Sep-24 Oct-24 Nov-24 Dec-24
Gross Contributions
Benefits Paid


ASSET LIABILITY RATIO SINCE MAR 2023
Mar-23 Jun-23 Sep-23 Dec-23 Mar-24 Jun-24 Sep-24
Assets (£'000)
Liabilities (£'000)


FUNDING LEVEL %
143.4
156.1
156.9
148.4
150.7
157.7
156.9
161.9
Mar-23 Jun-23 Sep-23 Dec-23 Mar-24 Jun-24 Sep-24 Dec-24



ASSET ALLOCATION
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
31/03/2024 (%)
30/06/2024 (%)
30/09/2024 (%)
31/12/2024 (%)
Benchmark (%)
IG Bonds
Index Linked
Multi Asset Credit
UK Equity
Dev Mkt
EM Mkt
Priv Equity
Priv Debt
Real Assets
Real Estate
Natural Capital
Climate Opports
Renewable
Cash



TOTAL FUND RETURN
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
-
Current Qtr
1 Yr
3 Yrs
5 Yrs
SYPA (%)
Benchmark (%)

ASSET PERFORMANCE BY TOTAL ASSET CLASS-YEAR TO DATE
15.0
10.0
5.0
-
-5.0
-10.0
-15.0
Investment Grade Bonds
Multi Asset Credit
UK Index Linked
UK Equities
Developed Market Equities
Emerging Market Equities
Listed Alternatives Funds
Private Equity
Private Debt
Infrastructure
Climate Opportunities
Natural Capital
Renewable Energy
Property
YTD (%)
Benchmark (%)

Market background

Equity Markets

Over the year, the majority of equity markets around the globe provided positive returns to sterling investors. The US lead the pack with a return of more than 26%, and Emerging Markets also provided a double digit return of 14.4%. Japan and the UK both produced a return in the region of 9.5%, whereas Europe ex UK provided a disappointing 2.0%. Asia Pacific ex Japan was the only major market with a negative return over 2024 (-3.9%).

A resilient economy, strong employment market, solid consumer spending, falling inflation and robust corporate earnings - together with the election result - benefitted technology companies and renewed confidence in the US over the 4th quarter. Gains were led by the communication services, information technology and consumer discretionary sectors with some of the "Magnificent Seven" stocks performing strongly. The weakest sector was materials. The Fed cut interest rates by 0.25% in each of November and December. However, the Fed attracted more attention towards the end of the year by scaling back the number of interest rates cuts expected in 2025. This was likely due to sticky inflation numbers, with perhaps an eye on the further inflationary impact of any potential tariffs the new President may initiate.

The Japanese equity market gained during the quarter as developments in the US markets and their impact on exchange rates drove up Japanese equity markets, along with the Bank of Japan's decision not to raise interest rates at the December policy.

Growing concerns about the UK economic outlook caused the UK equity market to fall during the 4th quarter, amid a rise in long term gilt yields related to concerns around the new government's fiscal policies. Growth prospects also appeared weak. with companies needing to adjust to the increase in NI contributions from April 2025 onwards.

Europe faced challenges due to renewed political uncertainty in Germany, the prospect of Trump-imposed tariffs, soft demand from China (generally a large consumer of certain European products, such as German cars) and disappointing corporate results. The weakest sectors for the quarter included materials, real estate and consumer staples. Sectors posting gains included industrials.

.

Market background

Fixed Income

The Bank of England cut interest rates for the second time in 2024 during November. It set the rate at 4.75%, down a quarter percentage point, which is the lowest level in more than a year. UK inflation had dropped to 1.7% in September, its lowest level in three-and-a-half years - and below the Bank of England's 2% target for the first time since 2021. However, a rise in energy bills helped push inflation up to 2.6% in November, its highest level in more than six months. This, together with concerns over elevated wage growth, dampened the prospects for further cuts in the near term. As UK Gilt yields (effectively the Government's cost of borrowing) have been on an upwards trajectory, this led to concerns the government may be forced to increase borrowing further (or increase taxes/cut spending).

Global bonds

Global fixed income markets generated negative total returns during the fourth quarter. The impact of the US election and policy expectations were the primary drivers of these market movements. Corporate bonds outperformed government bonds on the whole, amid mixed credit spread movements. The US dollar gained versus most currencies.

Global economic data varied during the quarter. Progress on inflation control appeared to stall for many major economies, although divergence remained. In China, consumer prices dropped to a five-month low, while producer price deflation also deepened.

Developed market government bond yields ended broadly higher in the fourth quarter, led by the US and the UK. Outside of Europe, investors pared expectations for interest-rate cuts following slow progress on bringing inflation back to central banks' targets.

Despite choppy markets, the value of the fund has remained above £11bn and, aside from rebalancing modestly towards our strategic asset allocation targets, there have not been any significant changes to asset allocation over the quarter.

Fund Valuation

as at 31 December 2024

	Sep-24 £m	%	Quarterly Net Investment	Dec-24 £m	%	Benchmark %	Range %
FIXED INTEREST							
Inv Grade Credit - BCPP	572.9	5.1	0.0	564.4	5.1	5	
UK ILGs - BCPP	685.7	6.2	40.0	654.3	5.9	7	
MAC - BCPP	401.5	3.6	-4.7	396.3	3.5	3.5	
TOTAL	**1660.1**	**14.9**	**35.3**	**1615.0**	**14.5**	**15.5**	**10.5 - 20.5**
UK EQUITIES	**999.8**	**9.0**	**0.0**	**984.9**	**8.9**	**9**	**4.0 -14.0**
INTERNATIONAL EQUITIES							
Developed Market - BCPP	3131.9	28.1	-75.0	3110.0	28.0	27.125	
Emerging Market - BCPP	795.8	7.1	0.0	794.7	7.2	7.875	
Emerging Market - SYPA	0.7	0.0	0.0	0.7	0.0		
TOTAL	**3928.4**	**35.3**	**-75.0**	**3905.4**	**35.2**	**35**	**30 - 40**
LISTED ALTERNATIVES -BCPP	**166.4**	1.5	**0.0**	**167.7**	1.5	0	
PRIVATE EQUITY							
BCPP	387.4		35.4	415.3			
SYPA	752.7		-40.4	750.9			
TOTAL	**1140.1**	**10.2**	**-5.0**	**1166.2**	**10.5**	**7**	**5 - 9**
PRIVATE DEBT FUNDS							
BCPP	212.1		9.6	218.5			
SYPA	405.1		-42.0	361.1			
TOTAL	**617.2**	**5.5**	**-32.4**	**579.6**	**5.2**	**7.5**	**5.5 - 9.5**
INFRASTRUCTURE							
BCPP	563.5		22.7	571.1			
SYPA	445.9		-16.0	457.4			
TOTAL	**1009.4**	**9.1**	**6.7**	**1028.5**	**9.3**	**9**	**6 - 12**
RENEWABLE ENERGY	**207.5**	**1.9**	**12.7**	**225.0**	**2.0**	**3**	**1 - 5**
CLIMATE OPPORTUNITIES	**133.9**	**1.2**	**7.2**	**142.2**	**1.3**	**1**	**0 - 3**
NATURAL CAPITAL	**218.5**	**2.0**	**2.6**	**221.8**	**2.0**	**2.5**	**0 - 3.5**
PROPERTY	**910.2**	**8.2**	**-3.8**	**902.4**	**8.1**	**9**	**7 - 11**
CASH	**141.8**	**1.3**		**168.0**	**1.5**	**1.5**	**0 - 2.5**
TOTAL FUND	**11133.3**	**100.0**		**11106.7**	**100.0**	**100**	

Asset Allocation Summary

Over the past 12 months, we have continued to reduce our overweight position in equities relative to our long-term strategic target. The proceeds were largely utilised to meet the drawdown requirements of our private market's portfolios, including Infrastructure, Natural Capital, Climate Opportunities and Renewables. £40m of equity proceeds was also rebalanced into Fixed Income to bring the latter's underweight allocation closer to target.

Redemption cashflows from our legacy Private Equity and Private Debt funds over the quarter largely offset the drawdowns required by Border to Coast's private market offerings.

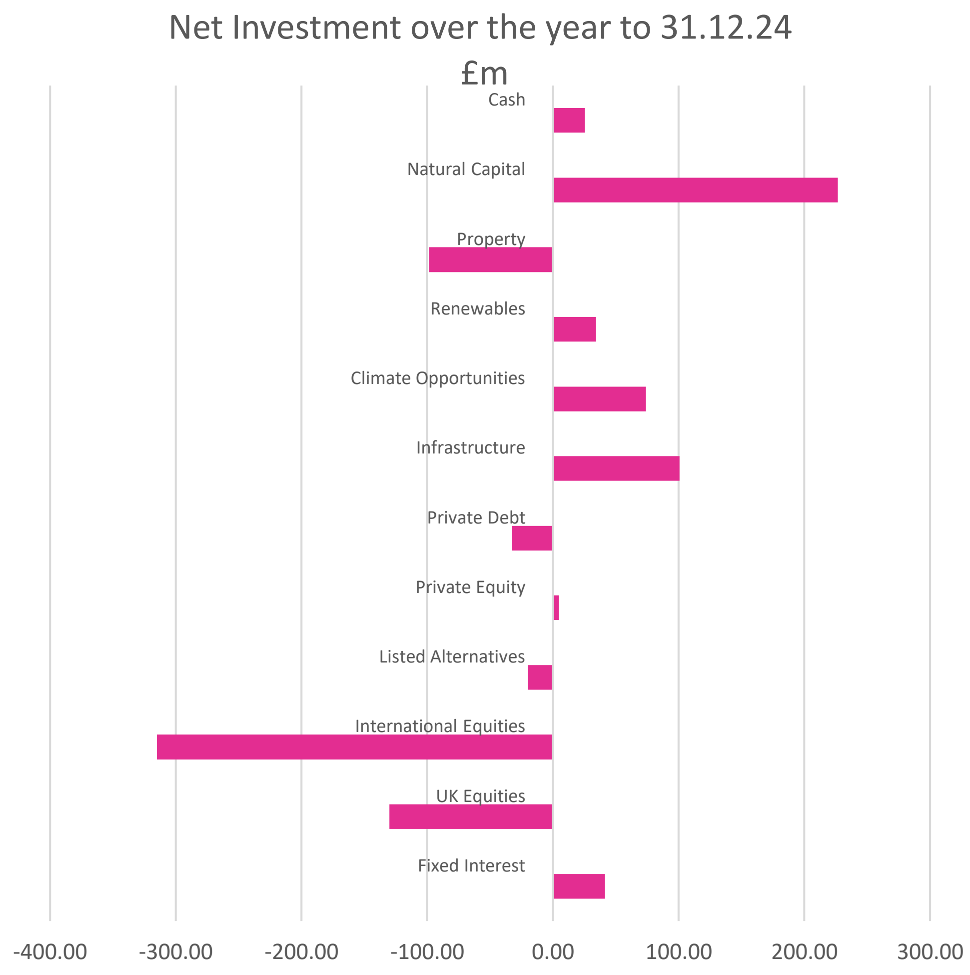
We have funded our allocation to diversified forestry assets across two managers (£50m commitment to Gresham House Forestry fund, which is a diversified portfolio of UK assets, plus a $100m commitment to the Campbell Global Forestry and Climate Solutions Fund II). These are complementary strategies which support the Authority's Net Zero strategy. We expect to make a modest additional allocation to Gresham House in the coming months.

Private equity still sits materially above its tactical asset allocation range, and private debt is now a little below its lower tactical threshold.

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 towards its strategic benchmark.

The current Fund allocation can also be seen in the following chart.

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	654.3	5.9	-1.1
Sterling Inv Grade Credit	5	4 - 6	564.4	5.1	0.1
Multi Asset Credit	3.5	1.5 - 5.5	396.3	3.5	0.0
UK Equities	9	4 - 14	984.9	8.9	0.1
Overseas Equities	35	30 - 40	3905.4	35.2	0.2
Private Equity	7	5 - 9	1166.2	10.5	3.5
Private Debt	7.5	5.5-9.5	579.6	5.2	-2.3
Infrastructure	9	6 - 12	1028.5	9.3	0.3
Renewables	3	1 - 5	225.0	2.0	-1.0
Listed Alternatives	0	0 - 2	167.7	1.5	1.5
Climate Opportunities	1	0 - 3	142.2	1.3	0.3
Natural Capital	2.5	0 - 3.5	221.8	2.0	-0.5
Property	9	7 - 11	902.4	8.1	-0.9
Cash	1.5	0.5 - 2.5	168.0	1.5	-0.3
Total	100		11106.7	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 31 December 2024

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	-0.4	-0.5	1.9	1.7
UK ILGs	-10.1	-10.1	-12.3	-12.4
Multi Asset Credit - BCPP	-0.1	2.1	5.2	6.5
UK EQUITIES	**-1.5**	**-0.4**	**3.7**	**5.7**
INTERNATIONAL EQUITIES				
Developed Market - BCPP	1.7	1.4	3.3	3.0
Emerging Market	-0.1	0.1	7.7	10.7
TOTAL	**1.3**	**1.1**	**4.1**	**4.8**
PRIVATE EQUITY	**2.7**	**2.4**	**3.7**	**7.4**
PRIVATE DEBT FUNDS	**2.6**	**1.5**	**3.8**	**4.5**
INFRASTRUCTURE	**-0.7**	**1.9**	**1.6**	**5.9**
RENEWABLES	**2.6**	**1.9**	**3.7**	**5.9**
CLIMATE OPPORTUNITIES	**0.4**	**1.9**	**2.9**	**5.9**
PROPERTY	**-0.2**	**1.5**	**2.1**	**4.5**
NATURAL CAPITAL	**0.3**	**1.3**	**-2.2**	**3.7**
CASH	**1.1**	**1.2**	**3.4**	**3.9**
TOTAL FUND	**0.1**	**0.3**	**2.4**	**3.6**

Performance Summary

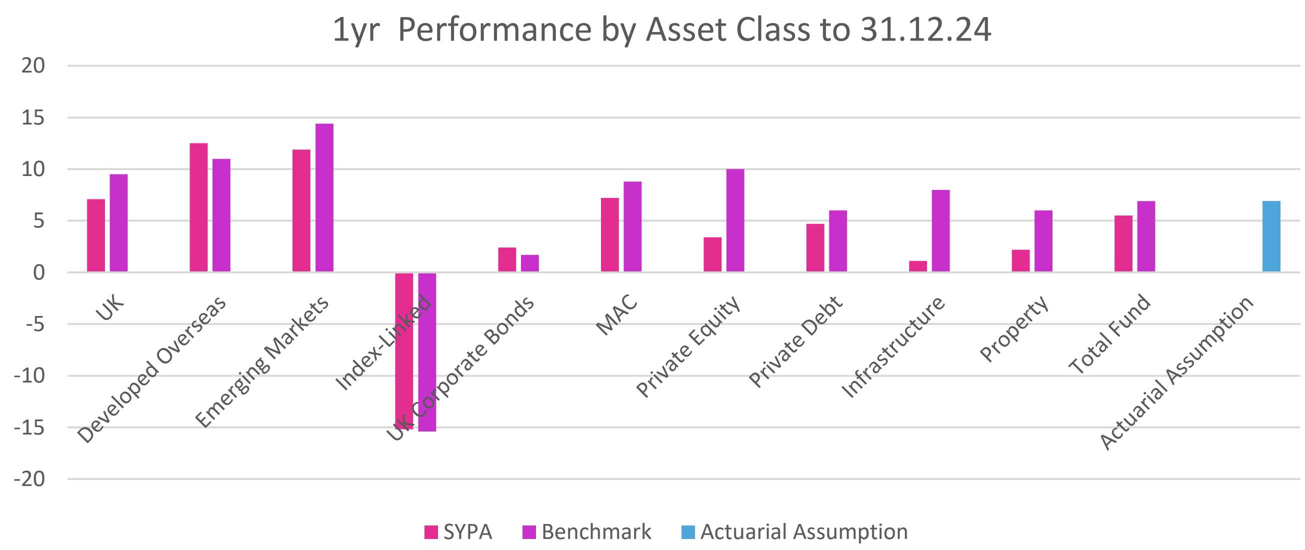
For the quarter to the end of December, the Fund returned 0.1% against the expected benchmark return of 0.3%.

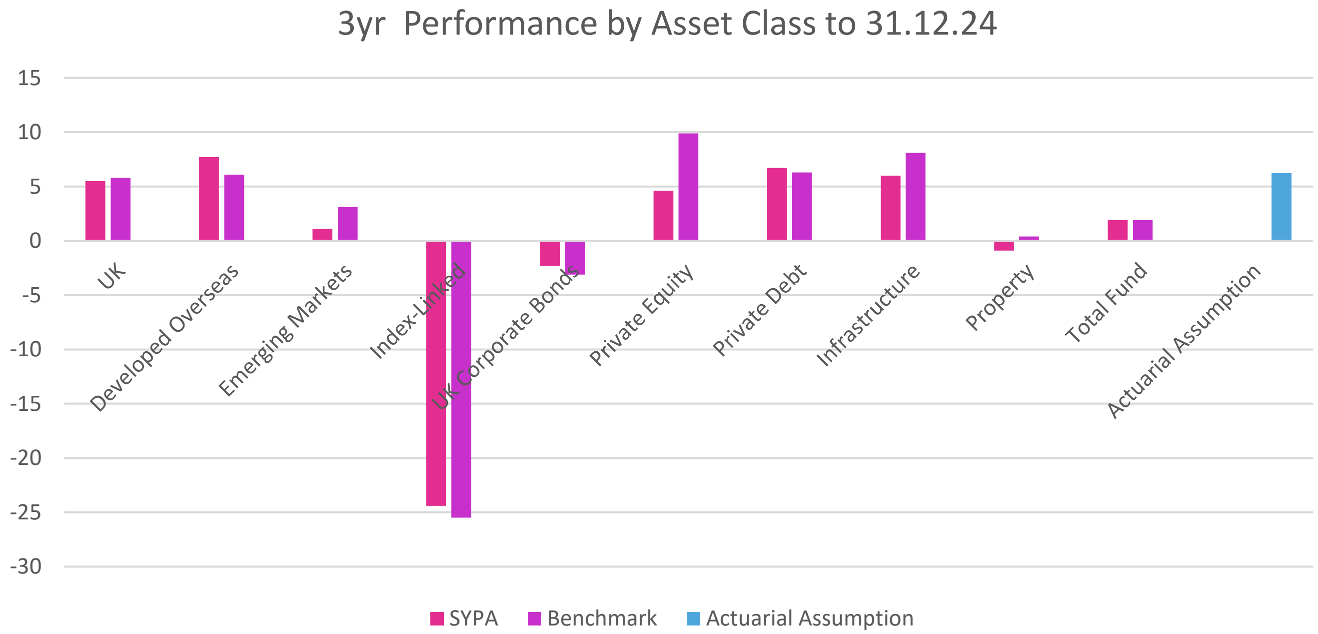
Asset allocation relative to benchmark made 0.2% positive contribution to performance, whilst stock selection detracting just over 0.4% from performance.

The breakdown of the stock selection is as follows:-

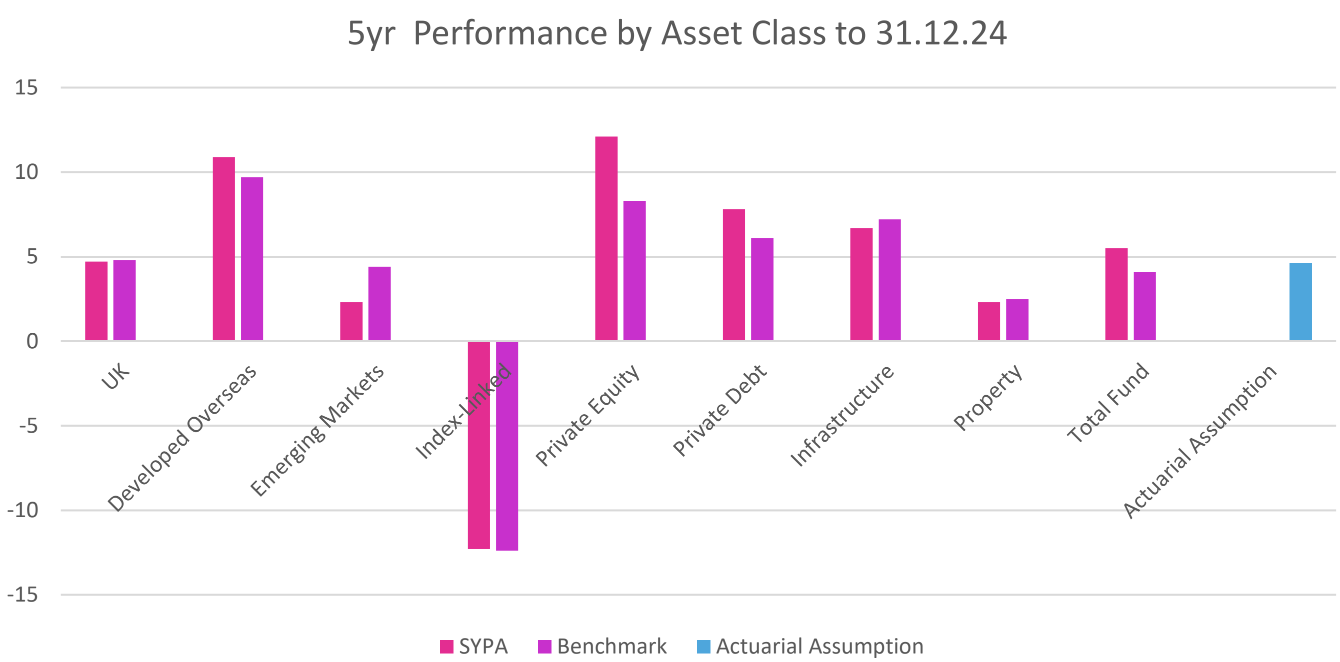
UK equites	-0.1%
Overseas developed equities	+0.1%
Listed Alternatives	-0.1%
Private debt	+0.1%
Infrastructure	-0.2%
Property	-0.1%

Performance-Medium term





Performance-Medium term



Performance – Border to Coast Funds

The **UK Equity** fund underperformed its benchmark over the quarter, returning -1.50% against the benchmark return of -0.35%. Since inception the portfolio is ahead of its benchmark by 0.25%, although this is still below the fund’s 1% target outperformance. The portfolio has continued to be impacted by stock selection decisions in both industrials and financials service sectors.

The **Overseas Developed Markets Equity** fund was up 1.68% over the quarter, modestly above its benchmark. Since inception, the fund has outperformed its benchmark by 1.46% p.a.
The fund's allocation to US equities was the main positive contributor over quarter 4, triggered by the result of the US election. Exposure to a range of Technology companies also helped to generate positive returns.
Performance detraction came from the Pacific ex Japan region, with issues surrounding politics and export weaknesses in South Korea being prominent.
Healthcare proved to be the weakest sector, particularly the fund's exposure to Novo Nordisk, a company focussed on the treatment of diabetes and weight loss. Unsuccessful drug trails results in this area led to a fall in the stock price. The Magnificent 7 technology stocks continued to dominate and outperform over the quarter.

The **Emerging Markets Equity** fund underperformed its benchmark this quarter by 0.28%. Longer-term performance remains disappointing, with the fund materially underperforming its benchmark over all time periods. The fund’s ex China element was the strongest performer over the quarter, thanks in particular to the positive contribution from Taiwanese equities such as the semiconductor manufacturer TSMC. However, companies with greater sensitivity to interest rates struggled this quarter, and the spectre of possible tariffs on Chinese imports to the US also detracted.

Performance – Border to Coast Funds

In the UK, long-dated bond yields rose as the Chancellor's October budget caused investor concerns over the government's ability to fund its future spending plans.

The **Sterling Investment Grade Credit** fund generated a return of -0.43% during the quarter, which was modestly above its benchmark. RLAM outperformed the benchmark by +0.29% over the quarter, Insight also outperformed but M&G lagged its benchmark. Longer-term, the fund is still comfortably ahead of its +0.5% relative performance target.

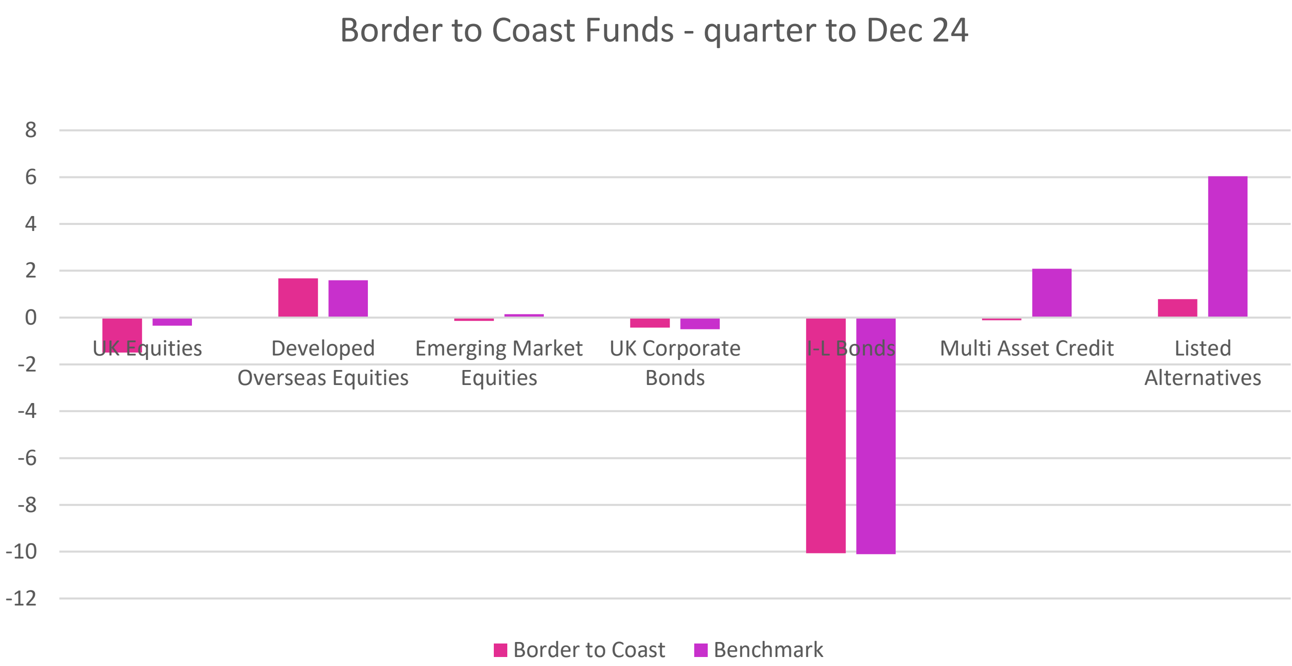
UK real yields also increased, due to the resurgence of inflation risk and significant political and fiscal events, including the US presidential election and the UK's Autumn Budget. This led to a negative quarter for index-linked gilts as an asset class. The **Sterling Index-Linked Bond** fund itself outperformed the benchmark by a modest 0.04% this quarter. The positive contributions came from credit spread tightening of corporate holdings and an overweight position in ultra-long dated gilts, which offset losses from a slightly overweight duration position.

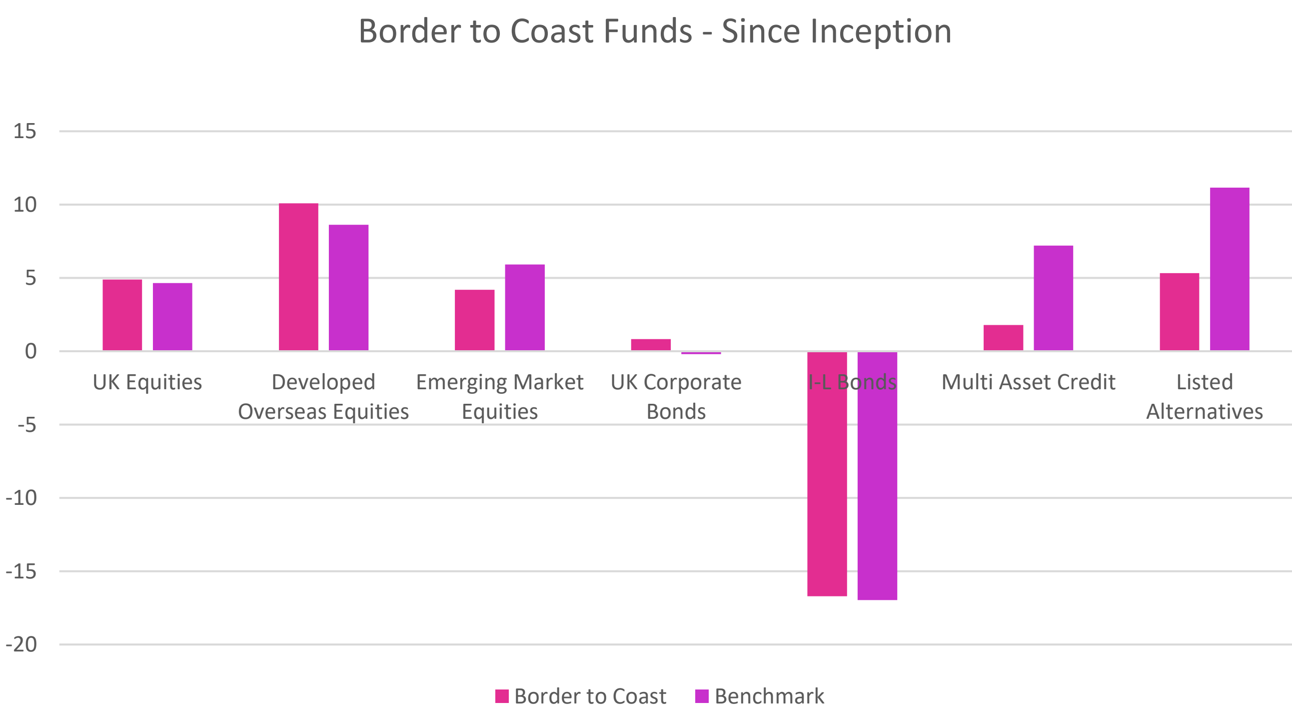
The **Multi-Asset Credit** fund underperformed the cash benchmark by 2.2% over the quarter but outperformed its blended asset class comparator by 0.2% over the same period. Two of the underlying managers, PIMCO and PGIM both outperformed their benchmarks over the quarter, however the Ashmore, Wellington and Border to Coast mandates all underperformed their respective benchmarks during the same period. Barings' performance was neutral over the quarter. Longer term, the fund remains a long way behind its cash benchmark but is in line with the blended comparator.

The **Listed Alternatives** fund has a diversified portfolio which includes listed assets in infrastructure, specialist real estate, private equity and alternative credit. The fund achieved a return of 0.79% during the quarter, this was 5.26% below the fund's global equity benchmark. The fund has achieved a respectable 10.5% return over the year, albeit this was again overshadowed by the relative return on equities. Arguably, the portfolio has shown resilience given headwinds such as uncertainty around the Trump administration's policies, opposition to clean energy initiatives and the impact of the UK budget.

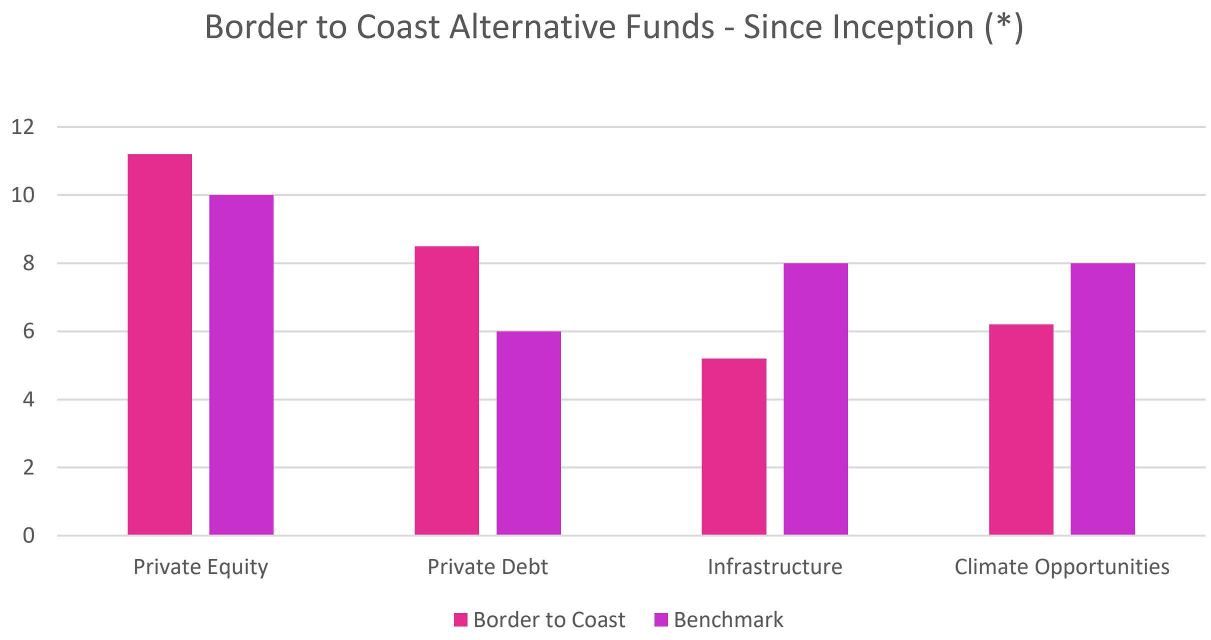
The charts below show quarterly returns but also the longer-term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds





Performance-Border to Coast Alternative Portfolios



(*) Performance is from inception up to the end of Q3 2024, which is the most recent available reporting date for the Alternative Portfolios.

Funding Level

The funding level as at 31 December 2024 is estimated to be c162%:

The breakdown is as follows:

Fund’s Assets at 31 December:	£11,107
Funds estimated Liabilities at 31 December:	£6,860

Caveat
This estimate is calculated on a roll-forward basis. This means that there is no allowance made for any actual member experience since the last formal valuation on 31 March 2022

Outlook

Wild World

At the time of writing, we are less than two months into the year, and it already feels like a rollercoaster. It looks like there is plenty of ups and downs - and perhaps even the odd loop-the-loop - ahead of us, as geopolitical upheaval threatens to dominate 2025.

Born in the USA

“Tariffs” is likely to be one of 2025’s most over-used words. President Trump has already announced taxes on all products from China, and all steel and aluminium imports. At the time of writing, a 25% tariff has just been announced on imports from the EU (details still to follow) along with the expectation that Mexico and Canada will be the next targets. Reciprocal action from the impacted countries is expected.

It is likely that a tariff system will fuel inflation in the US, as would touted plans to carry out a mass deportation of undocumented immigrants (high inwards immigration has actually provided a boost to the US economy over recent years). This backdrop could make it difficult for the Fed to make any more interest rate cuts in the near term.

It’s not all politics though…

The Magnificent Seven

Another big storyline for 2025 is trying to predict what will happen with the big US tech companies (including the well-publicised *Magnificent Seven*) which have enjoyed some stunning rises in share price thanks to the excitement generated by Artificial Intelligence (AI).

Economists have generally been predicting further strong growth, albeit it is recognised that this may be challenged by various downside risks - an economic downturn, rising borrowing costs, views on the attractiveness/risks of the technology, or developments between the key players. This proved prescient in late January when an apparent breakthrough at the Chinese AI company, DeepSeek, wiped almost $600bn from Nvidia’s market value overnight, with the thesis being that DeepSeek’s relatively simple model would dampen demand for Nvidia’s inference chips. Nvidia’s share price has somewhat recovered since that point in time – indeed, by late February the company was reporting a 78% increase in annual revenue. With such new and unpredictable technology, however, the path is likely to contain more twists and turns.

Outlook

More broadly, the Nvidia downturn has shone a light on the potential perils of high stock market concentration. The largest ten stocks (largely tech companies) in the US S&P 500 index have accounted for around 40% of that index's value – and the US market dominates the globe. Further, a recent study by Bridgewater, going as far back as 1900, has highlighted that a basket of the top ten US stocks in any given decade has tended to underperform the market by c.20% over the following ten years.

Trans Europe Express

European equities have been on a rally since the start of 2025, with the volatility in US technology stocks driving investment into European sectors. Banks, pharmaceuticals, and luxury retailers all benefitted. Monetary policy also helped, as the ECB cut interest rates by 0.25% to 2.75%.

In the UK, Rachel Reeves suffered her largest headache since becoming Treasurer, as gilt yields (effectively the UK's longer-term cost of borrowing) rose to levels in early January that had not seen in way over a decade. This wasn't a uniquely UK problem, as government bond yields worldwide have been moving in broadly the same direction. The UK has come more under the microscope, however, with existing concerns around high debt levels being exacerbated by the cost of borrowing. This has created an awkward situation where the Treasurer's options seem to be to either cut spending or increase taxes (or break her own recently imposed fiscal rules).

Despite this, UK equities have also enjoyed a very strong start to the year, with the FTSE 100 reaching a record high in February. Momentum was supported by investors rotating into attractively valued stocks, along with an easing of near-term monetary policy. The Bank of England cut its base rate to 4.5% in February, its lowest level for 18 months.

The Long and Winding Road

Our asset allocation strategy is focussed on diversification. We expect to continue to reduce our equity exposure further towards its long-term strategic target, largely by increasing our allocations to alternative assets classes, including those which provide a positive climate or local impact.