

Border to Coast Pensions Partnership Ltd

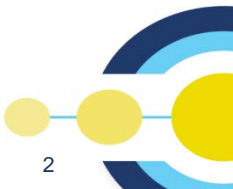
Private Markets
Manager Day

2nd July 2019



Purpose of today

- To update you on progress at **Border to Coast**
- To update you on our **Private Markets** structure
- To outline our investment offerings and timelines
- To outline our areas of focus and key requirements
- To provide guidance on how to engage with us
- To answer your questions



Border to Coast Pensions Partnership Ltd

**Border to Coast
Progress Update**



Border to Coast Pensions Partnership

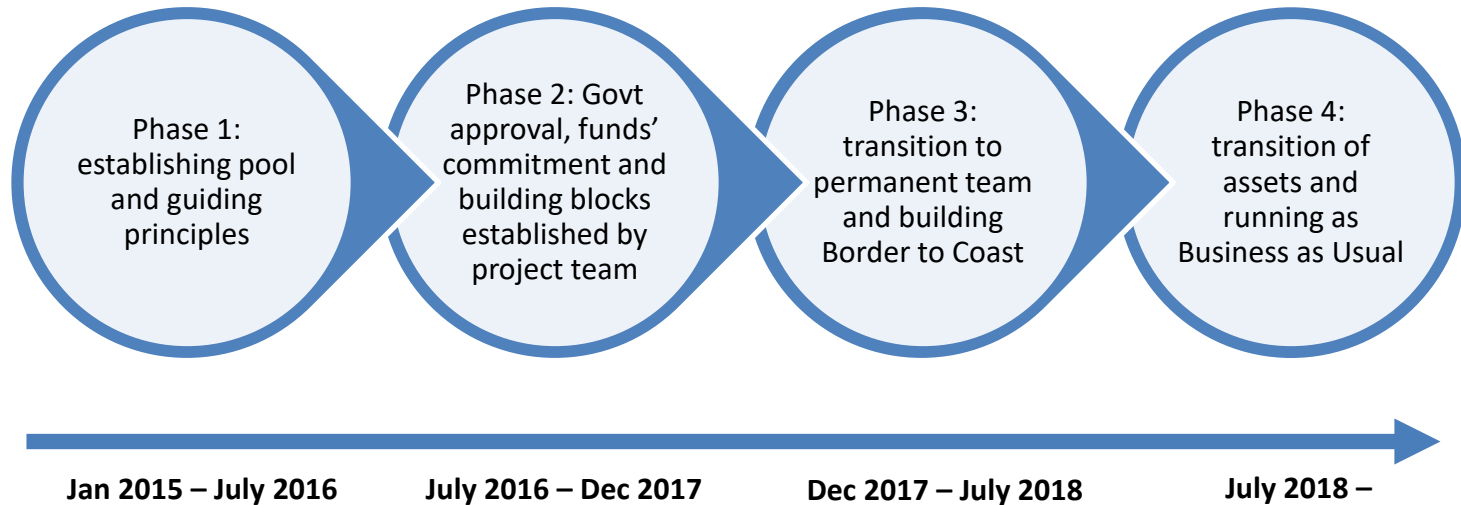
12 Likeminded Local Government Pension Funds
c. £50bn Assets Under Management
Internal & External Management



SOUTH YORKSHIRE
PENSIONS AUTHORITY



Border to Coast: the story so far

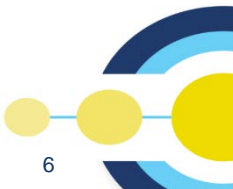


Guiding principles

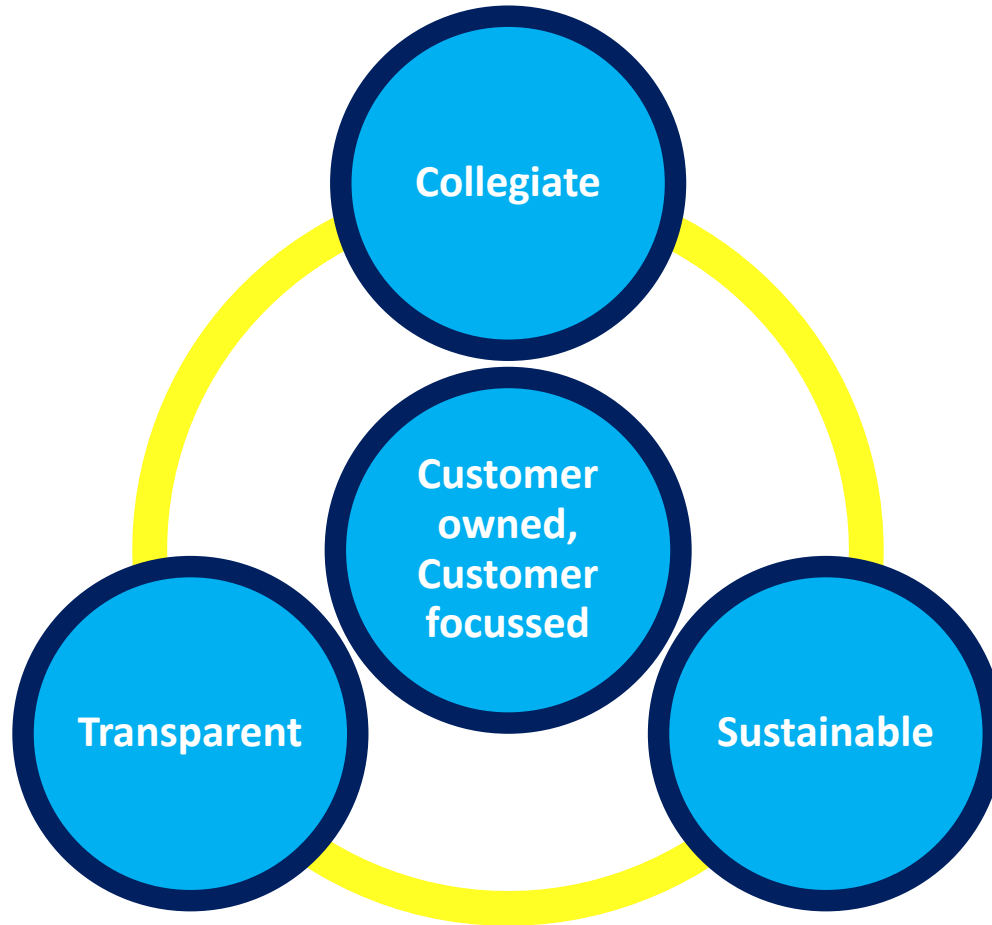
1. Meet Government aims (governance, RI, VFM and infrastructure)
2. One Fund, One Vote
3. Funds retain governance role and ownership of asset allocation
4. Generate improved net of fees risk adjusted performance
5. Internal management capability
6. Improved resilience and capacity over existing structures
7. Shared team in one location

Border to Coast: Why Are We Here?

Making a difference to investment outcomes for Local Government Pension Funds through *pooling* to create a stronger voice; working in *partnership* to deliver *cost effective*, *innovative*, and *responsible* investment now and into the future; thereby enabling great, *sustainable performance*.



Border to Coast: what do we want to be?

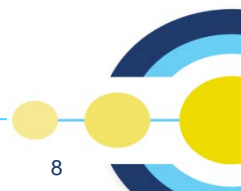


- a **collegiate** organisation: working together in an **open** and **trusting** environment with shared vision and goals to deliver **long-term, strong** and **sustainable outcomes** for customers;
- a **sustainable** organisation: investing in our colleagues by facilitating **work-life balance**; by encouraging personal and professional **development**; and supporting a **creative, flexible** and **open to change** culture that is equipped to evolve new capabilities as customer needs change;
- a **transparent** organisation: maintaining customer and public **trust** in Border to Coast's **integrity** to enable us to deliver our objectives.



Border to Coast: progress 2018 – 19

FOUR NEW SUB-FUNDS	£9BN ASSETS UNDER INVESTMENT	12 PARTNERS FUNDS
61 EMPLOYEES		
3,076 RESOLUTIONS VOTED	FCA REGULATED ASSET MANAGER BUILT	NEW OFFICE IN LEEDS



Border to Coast: Board



Chris Hitchen
Chairman



Enid Rowlands
Non-Executive Director



Tanya Castell
Non-Executive Director



Rachel Elwell
Chief Executive Officer



Fiona Miller
Chief Operating Officer



Cllr Sue Ellis
Non-Executive Director



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Investments



Sub-Fund launches to date

Border to Coast – FCA Regulated ACS Structure

UK Listed Equity Fund	Overseas Developed Fund	Emerging Market Equity Fund	UK Listed Equity Alpha Fund	Global Equity Alpha Fund
<p>Size: £3.9bn Launch: Jul 18</p> <p>BM: FTSE All Share Target: +1% p.a.</p>	<p>Size: £2.5bn Launch: Jul 18</p> <p>BM: Regional Comp Target: +1% p.a.</p>	<p>Size: £0.7bn Launch: Oct 18</p> <p>BM: S&P Emerging Target: +1% p.a.</p>	<p>Size: £1.2bn Launch: Nov 18</p> <p>BM: FTSE All Share Target: +2% p.a.</p>	<p>Size: c. £4.5bn Launch: Q4 19 <i>(expected)</i></p> <p>BM: MSCI ACWI Target: +2% p.a.</p>

Capability launch high level timetable

	Launched in 2018	Scheduled for 2019	2020 onwards
Equities	UK Listed Equity Overseas Developed Emerging Equities	<div style="border: 2px dashed red; padding: 5px;"> Global Equity Alpha PE, infrastructure, private credit, diversified alts UK investment grade, multi asset credit and other </div>	
	UK Listed Equity Alpha		Emerging Market, other
Alternatives			
Bonds			
Property			Fund range TBA

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Private Markets Structure

Objectives for alternatives

Economies of scale

Cost efficiency

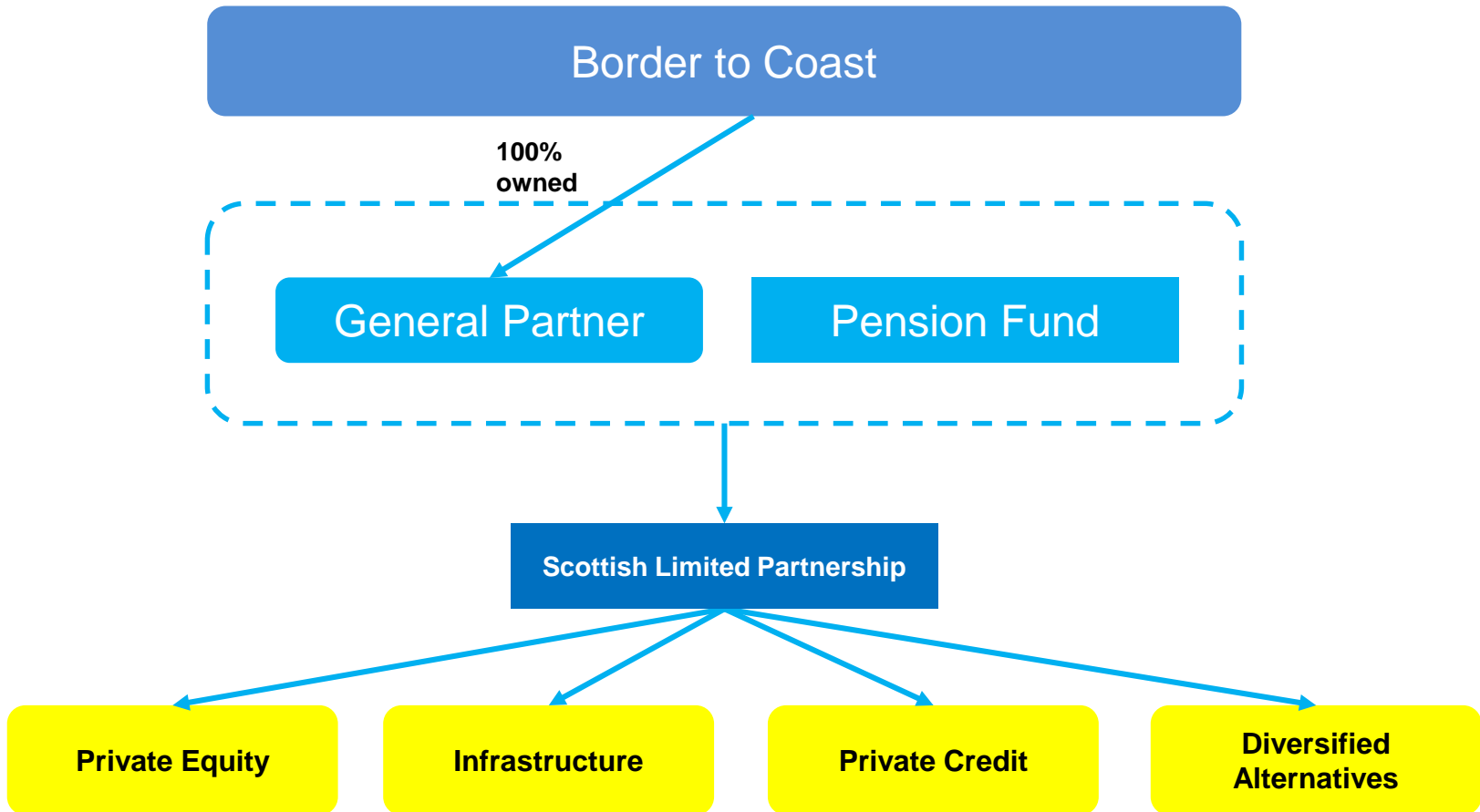
Operational simplicity

Flexibility

Adaptability

Ability to incorporate legacy investments

Alternatives: Structure

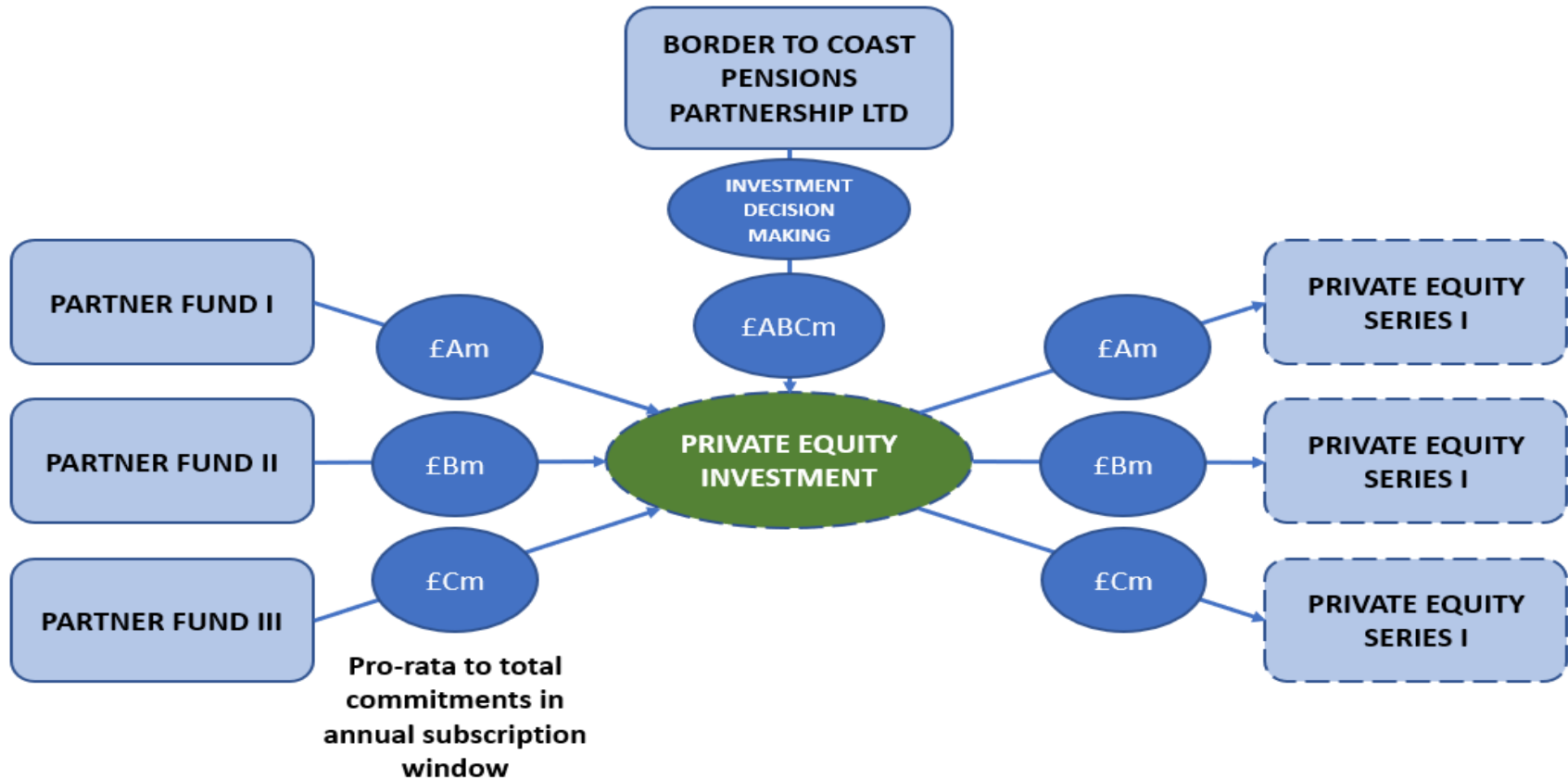


The proposed structure is an “unregulated collective investment scheme”. Investments will not be held within the ACS regulated fund structure and will not be held at the depositary.

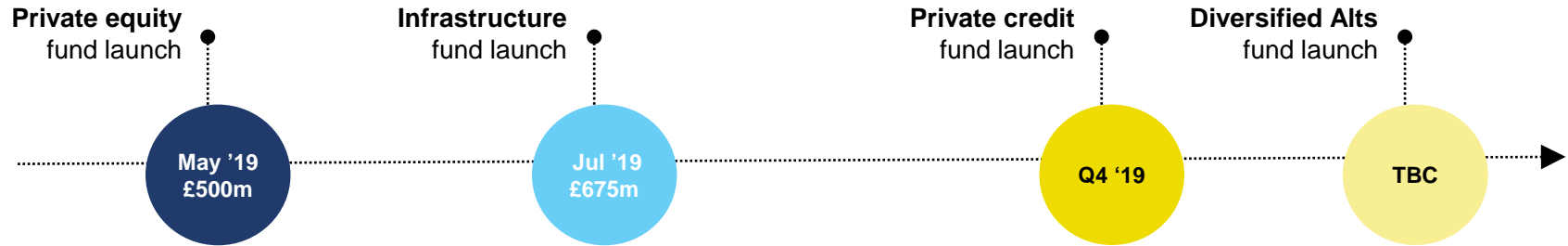
Border to Coast has obtained permission from the FCA to be the operator of the collective investment scheme.



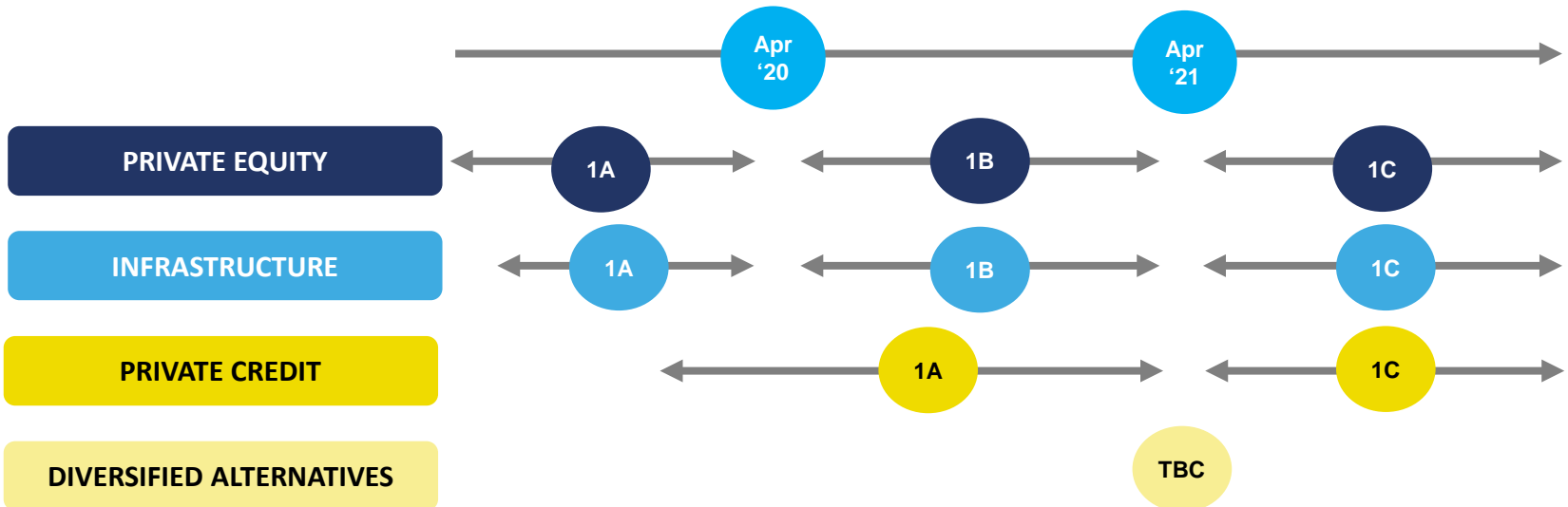
Alternatives: Structure



Timeline



SERIES 1



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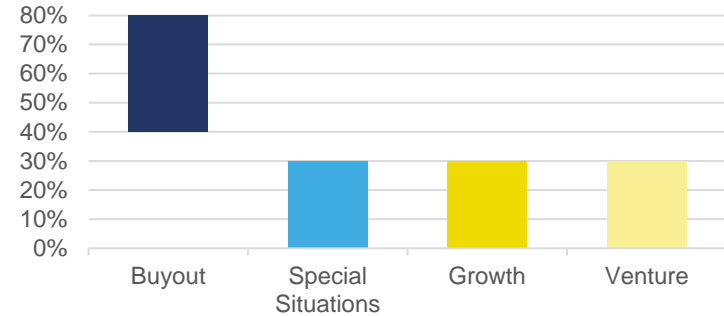
Private Equity



Private Equity: Asset Allocation

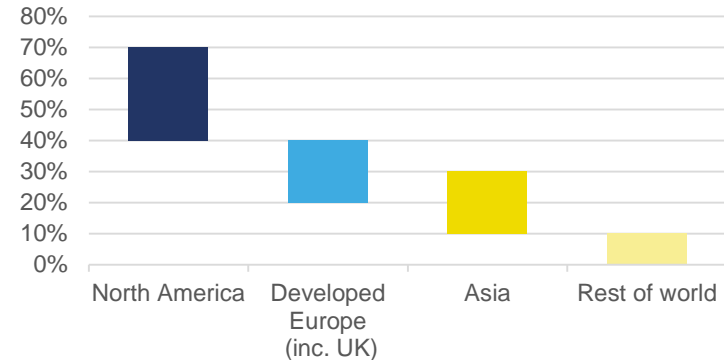
Strategy	Proposed range ¹
Buyout	40 – 80%
Special Situations	0 – 30%
Growth	0 – 30%
Venture	0 – 30%

Proposed strategy ranges



Geography	Proposed range ¹
North America	40 – 70%
Developed Europe (inc. UK)	20 – 40%
Asia	10 – 30%
Rest of world	0 – 10%

Proposed geographical ranges



Benchmark	10% p.a. (net)²
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¹ Based on total commitments over a Series

² Secondary benchmark – MSCI ACWI + 3% (PME+ basis)

Private Equity: Areas of Focus

OPERATIONAL VALUE ADD

Deliver enhanced returns through operational improvements rather than being reliant on leverage.

BUY AND BUILD

Adding value through building a platform and taking advantage of higher multiples for scale businesses.

MID-MARKET FOCUS

Lower valuation multiples and leverage levels.

CO-INVESTMENTS

Access to a diversified range of investments, either through co-investment funds or direct co-investments, with a lower fee structure.

Note: These are areas of focus and will form part of a suitably diversified portfolio

Private Equity: Areas of Focus

ASIA

Stronger economic growth over the long term, less developed Private Equity market, and lower valuation multiples.

TECHNOLOGY

Potential for technological disruption to generate significant value.

HEALTHCARE

Trends in global demographics and increased per capita spending.

DISTRESSED

Potential for attractive opportunities given position in business cycle and extended valuations.

Note: These are areas of focus and will form part of a suitably diversified portfolio

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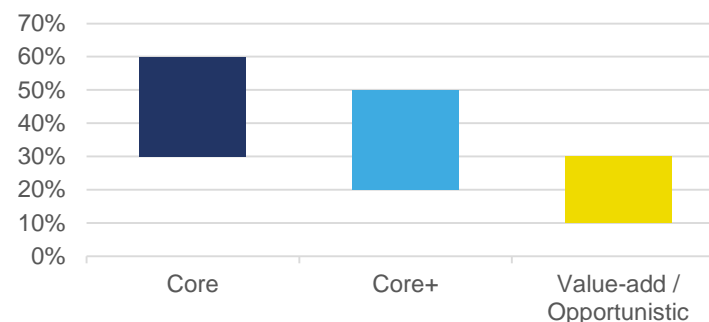
Infrastructure



Infrastructure: Asset Allocation

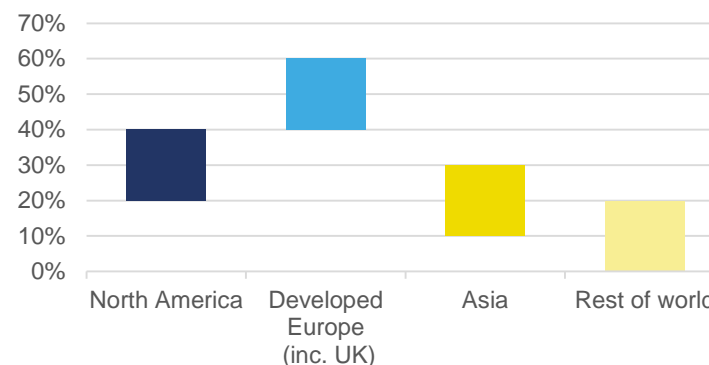
Strategy	Proposed range ¹
Core	30 – 60%
Core+	20 – 50%
Value-add / Opportunistic	10 – 30%

Proposed strategy ranges



Geography	Proposed range ¹
North America	20 – 40%
Developed Europe (inc. UK)	40 – 60%
Asia	10 – 30%
Rest of world	0 – 20%

Proposed geographical ranges



Benchmark	8% p.a. (net)
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¹ Based on total commitments over a Series

Infrastructure: Areas of Focus

OPERATIONAL VALUE ADD

Deliver enhanced returns through operational improvements with a focus towards income and less reliance on leverage to generate returns.

MID-MARKET

Seek to limit competition with lower cost of capital investors for "flagship" assets.

GREENFIELD

Capture additional returns from development/extension opportunities whilst demonstrating strong risk mitigation techniques.

EMERGING MARKETS

Stronger economic growth and longer term demographics driving demand for infrastructure in a less developed market with lower valuation and leverage levels albeit with a different risk profile.

Note: These are areas of focus and will form part of a suitably diversified portfolio

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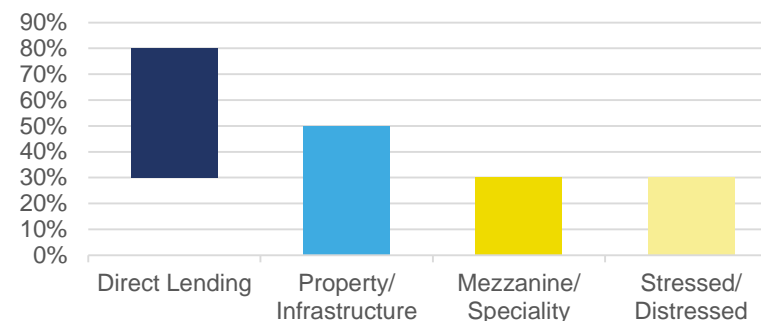
Private Credit



Private Credit: Asset Allocation

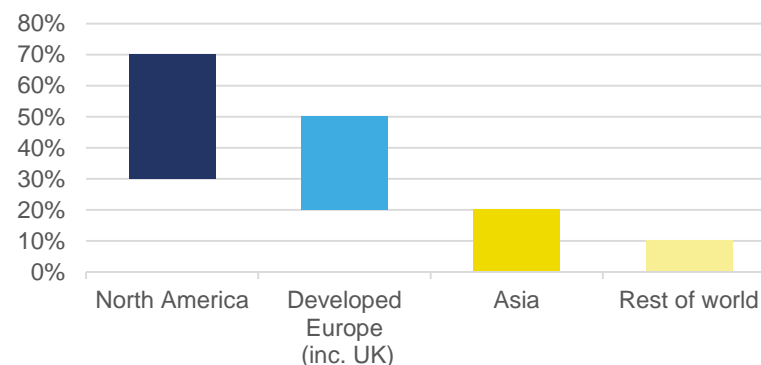
Strategy	Proposed range ¹
Direct Lending	30 – 80%
Property/Infrastructure	0 – 50%
Mezzanine/Speciality	0 – 30%
Stressed/Distressed	0 – 30%

Proposed strategy ranges



Geography	Proposed range ¹
North America	30 – 70%
Developed Europe (inc. UK)	20 – 50%
Asia	0 – 20%
Rest of world	0 – 10%

Proposed geographical ranges



Benchmark	6% p.a. (net)
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¹ Based on total commitments over a Series

Private Credit: Areas of Focus

FOCUS ON SENIOR DEBT

Defensive approach at this point in the credit cycle with a focus on quality credits.

MANAGER TRACK RECORD

Managers with experience of investing through the cycle, and sufficient resources with a robust process for dealing with problem credits including workout experience.

STRESSED/DISTRESSED

Potential for attractive opportunities given position in economic cycle, extended leverage levels, and current “innovative” structuring.

FOCUS ON REAL ASSETS

Focus on quality collateral from real assets with a current preference for infrastructure over real estate.

Note: These are areas of focus and will form part of a suitably diversified portfolio

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Working with Border to Coast

Working with Border to Coast

KNOWLEDGE TRANSFER

Sharing of due diligence
Training/secondments
Industry research
Ancillary services – e.g. cash flow forecasting, analytics

CO-INVESTMENT OPPORTUNITIES

Border to Coast is keen to participate in co-investment opportunities where possible

COOPERATIVE WORKING

Moving away from the traditional Investor/Manager relationship
Developing longer term relationships

ESSENTIAL REQUIREMENTS

See next slides

Essential requirements

AGGREGATED COMMITMENTS

Managers should treat Border to Coast as one investor but there will be multiple underlying investors in each investment

US TAX

Border to Coast does not wish itself, or its underlying investors, to be subject to US tax liabilities or reporting requirements unless necessary

ESG

ESG is integrated into Border to Coast's investment process and Managers will need to demonstrate their approach to ESG and provide regular reporting

VALUE FOR MONEY

Not just headline fees
Basis of charging – invested v. committed, catch up
Operating expenses – greater visibility

Essential requirements

ILPA TEMPLATES

Call/distribution notices and capital accounts should be in accordance with the relevant ILPA templates



COST TRANSPARENCY

Reporting should be in line with the PLSA Cost Transparency Initiative (CTI) template



FREEDOM OF INFORMATION

Border to Coast is subject to the FoIA and will be disclosing certain information on our website as part of our publication schedule

LP ADVISORY COMMITTEE

LPAC seat or observer position where appropriate

Hints and Tips for Engagement

DO – Let us know about interesting institutional quality opportunities

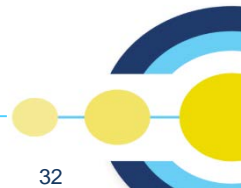
investmentideas@bordertocoast.org.uk

DO – Take note of our strategies, areas of focus and restrictions

DO – Take note of our essential requirements

DO – Think about how you would like to work with Border to Coast over the long term

DON'T – Expect a response to every e-mail or meeting request – we will be in touch if it is of interest



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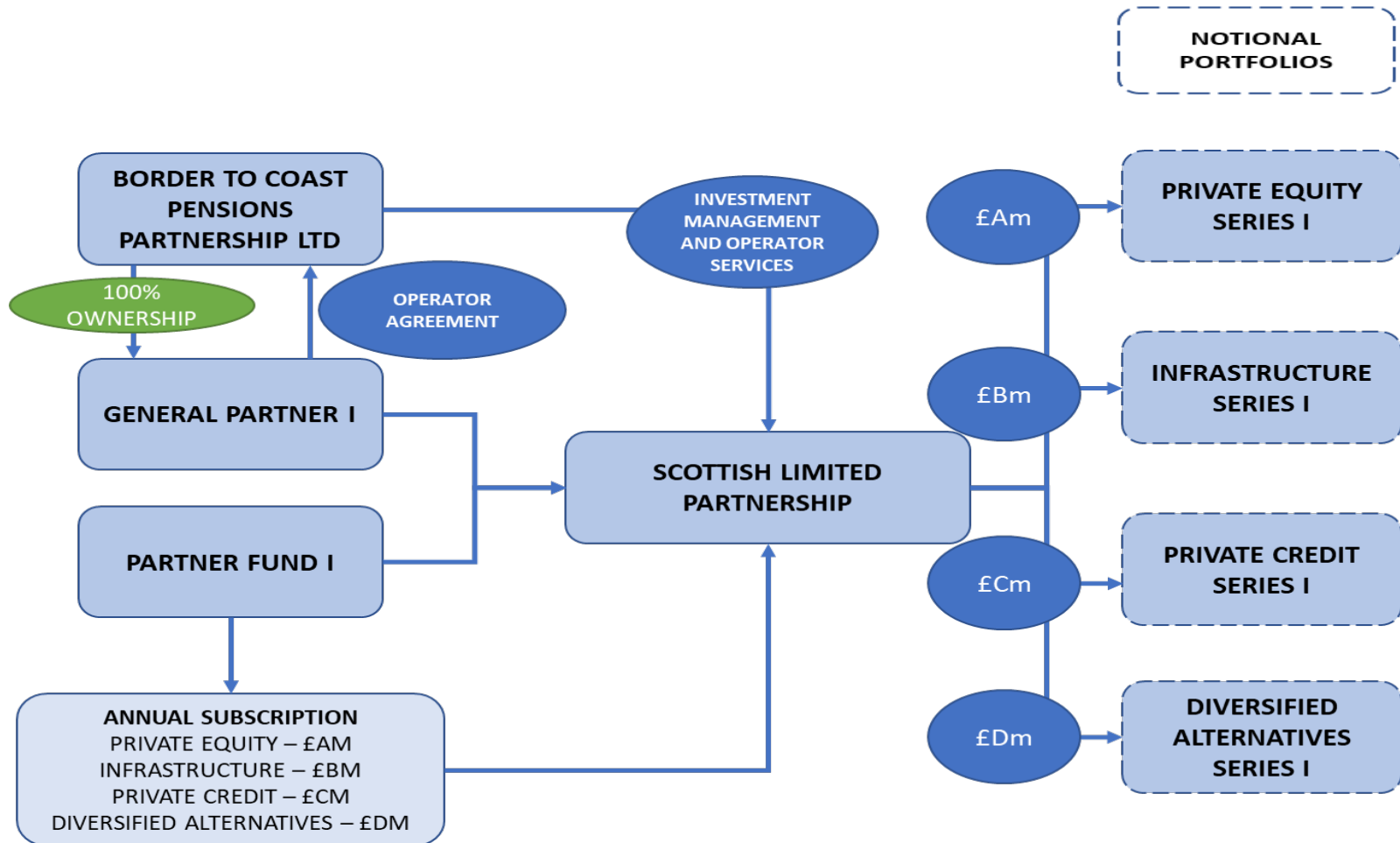
Questions

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Appendix

Alternatives: Structure



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