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AGENDA

BORDER TO COAST PENSIONS PARTNERSHIP JOINT COMMITTEE

Wednesday, 23rd September, 2026, at 2.45 pm	Ask for: **Joel Cook**
Brigante Suite, Hilton Leeds City, Neville Street, Leeds, LS1 4BX	Telephone **03000 416892**

Membership:

Chair:
Cllr Christopher Kettle — Warwickshire Pension Fund

Vice- Chair:
Cllr Doug McMurdo — Bedfordshire Pension Fund

Cllr Mike Smith	Tyne and Wear Pension Fund
Cllr Chris Fairs	Durham Pension Fund
Cllr Paul Hopton	East Riding Pension Fund
Cllr Raymond Condell	Lincolnshire Pension Fund
Cllr John Kabuye	Teesside Pension Fund
Cllr Doug Rathbone	Cumbria Pension Fund
Cllr Donna Sutton	South Yorkshire Pension Authority
Cllr Richard Tear	Surrey Pension Fund
Cllr Paul Clark	Essex Pension Fund
Cllr Richard Cherry	West Sussex Pension Fund
Cllr Ian Albert	Hertfordshire Pension Fund
Cllr Aidan Fisher	East Sussex Pension Fund
Cllr Geoff Seeff	Cambridgeshire Pension Fund
Cllr Sarah Emberson	Kent Pension Fund
Cllr Sam Gibbs	North Yorkshire Pension Fund
Cllr John Slope	Northamptonshire Pension Fund

Scheme Member Representatives

Lynda Bowen	East Riding LPB
Nicholas Wirz	Tyne & Wear LPB
Gareth Wall	Hertfordshire LPB

Terms of Reference of the BCPP Joint Committee

1. The primary purpose of the Joint Committee is to exercise oversight over the investment performance of the collective investment vehicles operated by Border to Coast and the provision of other investment-related services by Border to Coast.

2. The Joint Committee will provide effective engagement with the Authorities as the investment vehicles are established and ultimately operated by Border to Coast and as other investment related services are developed and ultimately provided by Border to Coast. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

3. The remit of the Joint Committee is:

   3.1.1 To provide support and guidance to the work being undertaken by the Officer Operations Group.

   3.1.2 To consider issues and provide feedback on relevant proposals as they are developed, ensuring effective engagement with the Authorities to scrutinise and monitor project management arrangements and proposals for the appointment of advisers by the Authorities.

   3.1.3 To formulate processes and policies for appointment and termination of membership to the Joint Committee.

   3.1.4 To facilitate the adoption by the Authorities of relevant contracts and policies.

   3.1.5 To review and comment on requests for the creation of investment propositions and services and to make recommendations to Border to Coast as to the creation of additional investment propositions and services.

   3.1.6 To review and comment from time to time on the range of investment propositions and services offered and the winding up and transfer of investment propositions and services.

   3.1.7 To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by Border to Coast.

   3.1.8 To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by Border to Coast.

   3.1.9 To formulate and propose any common conflicts policy for adoption by the Authorities.

   3.1.10 To review and comment on each individual Authority's high level transition plans for the transfer of assets to the vehicles established and operated by Border to Coast in accordance with the Shared Objectives.

   3.1.11 To oversee performance of the vehicles established and operated by Border to Coast as a whole and individual investment propositions by receiving reports from Border to Coast and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.

   3.1.12 To procure and employ, through an Authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Chair's Welcome

2. Election of Vice - Chair

3. Apologies and Substitutes

4. Declarations of Interest

5. Minutes of the meeting held on 8 July 2026 (Pages 1 - 8)

6. Public Questions and Responses (Pages 9 - 11)

7. Schedule of Future Meetings (Page 12)

8. Joint Committee Budget (Pages 13 - 14)

9. Investment Markets Update (Pages 15 - 22)

Motion to exclude the press and public for exempt business

That, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

10. Border to Coast Performance Update (Pages 23 - 31)

11. Annual Investment Proposition Reviews: Private Markets; Global Real Estate (Pages 32 - 42)

12. Overview of Pooling Progress (Pages 43 - 55)

13. Emerging Matters - Verbal Update

Joel Cook
Clerk to the Joint Committee
03000 416892

Tuesday, 15 September 2026

Minutes of the Border to Coast Joint Committee

Wednesday, 8 July 2026 – Aspire Leeds Limited, 2 Infirmary Street, Leeds, LS1 2JP

Present Members:	**Chair:** Cllr Christopher Kettle, Warwickshire Pension Fund
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	Cllr Geoff Seef, Cambridgeshire Pension Fund Cllr Chris Fairs, Durham Pension Fund Cllr Paul Hopton, East Riding Pension Fund Cllr Aidan Fisher, East Sussex Pension Fund Cllr Paul Clark, Essex Pension Fund Cllr Ian Albert, Hertfordshire Pension Fund Cllr Sarah Emberson, Kent Pension Fund Cllr Ray Condell, Lincolnshire Pension Fund Cllr John Slope, Northamptonshire Pension Fund Cllr Donna Sutton, South Yorkshire Pension Authority Cllr Richard Tear, Surrey Pension Fund Cllr Mike Smith, Tyne and Wear Pension Fund Cllr Richard Cherry, West Sussex Pension Fund
Scheme Member Representatives:	Nicholas Wirz Lynda Bowen
Fund Officers:	Mike Batty, Bedfordshire Pension Fund Kate McLaughlin-Flynn, Cumbria Pension Fund Nick Orton, Durham Pension Fund Susan Greenwood, East Sussex Pension Fund Jody Evans, Essex Pension Fund Sam Evans, Essex Pension Fund Taryn Ahlberg, Hertfordshire Pension Fund Nick Buckland, Kent Pension Fund Jo Kempton, Lincolnshire Pension Fund Ben Barlow, Northamptonshire & Cambridgeshire Pension Funds Mark Whitby, Northamptonshire & Cambridgeshire Pension Funds Gillian Taberner, South Yorkshire Pension Fund Neil Mason, Surrey Pension Fund Andrew Lister, Teesside Pension Fund Paul McCann, Tyne and Wear Pension Fund Chris Norton, Warwickshire Pension Fund Rachel Wood, West Sussex Pension Fund

Partner Fund Nominated Non Executive Directors:	Cllr David Coupe & Cllr George Jabbour
Border To Coast Representatives:	Rachel Elwell – Chief Executive Officer Milo Kerr - Head of Customer Relationship Management John Lister – Chair of the Board (virtual) Tim Manuel – Head of Responsible Investment Ewan McCulloch - Chief Stakeholder Officer Joe McDonnell – Chief Investment Officer
Secretariat:	Jo Stone, South Yorkshire Pensions Authority Joel Cook – Kent County Council (Observer)
Apologies:	Cllr Doug McCurdo, Bedfordshire Pension Fund Cllr Doug Rathbone, Cumbria Pension Fund Cllr Sam Gibbs, North Yorkshire Pension Fund Cllr John Kabuye, Teesside Pension Fund

1 CHAIR'S WELCOME

The Chair welcomed everyone to the meeting, in particular representatives from the seven new Partner Funds to join Border to Coast, recognising that their inclusion made Border to Coast the largest pension pool in the UK.
He also welcomed those attending virtually, including John Lister, Chair of the Board and thanked Councillor Ken Dawes for his longstanding contribution to the Committee.

2 APOLOGIES AND DECLARATIONS OF INTEREST

Apologies were received from Cllr Doug McCurdo, Cllr Doug Rathbone, Cllr Sam Gibbs and Cllr John Kabuye.
There were no declarations of interest.

3 QUESTIONS FROM THE PUBLIC

There was one question received by a member of the public: Richard Tassell.

The Chair thanked Mr Tassell for his question and for his attendance at the meeting.

The Chair reminded Members of the JC's revised arrangements for public questions, whereby members of the public would receive a written response to their question, which was also included in the agenda pack, and the Committee would note the response.

RESOLVED: The Committee reviewed and noted the question received and the response provided.

4 MINUTES OF THE MEETING HELD ON 24 MARCH 2026

The minutes were received, and members were asked to approve.

Lynda Bowen declared that her name had been incorrectly spelt and requested that the spelling be amended.

RESOLVED: The Committee agreed that, subject to the above amendment being made, the minutes of the meeting held on 24 March 2026 were a true and accurate record.

5 SCHEDULE OF FUTURE MEETINGS

The most recent calendar of future meetings was included in the agenda pack for Members to note.

RESOLVED: The Committee noted and approved the schedule of future meetings.

6 CHANGES IN JOINT COMMITTEE SECRETARIAT

Members formally recognised the contribution of South Yorkshire Pensions Authority to the Joint Committee and acknowledged that, whilst South Yorkshire was not stepping down, Kent County Council had volunteered to assume the role with effect from 9 July 2026.

It was also confirmed that a shadow period had taken place to support the transition and ensure readiness for Kent to assume the role.

RESOLVED: The Committee approved the designation of the Kent County Council to provide the Secretariat function for the Joint Committee with effect from 9 July 2026, in line with clause 7.5 of the Inter Authority Agreement.

7 JOINT COMMITTEE BUDGET

Neil Mason, Chair of the Officer Operations Group, presented the report detailing the Joint Committee budget position for 2025/26. This included expenditure incurred for 2026/27 of approximately £42,000 against the £100,000 budget, with the majority of costs relating to legal services.

He also explained that the expansion of the partnership had taken place part-way through the year, resulting in additional work being undertaken.

RESOLVED: The Committee

- **Noted the final budget position for 2025/26.**
- **Noted the budget position for 2026/27.**

8 PARTNER FUND NOMINATED NON- EXECUTIVE DIRECTOR – VERBAL UPDATE

Gillian Taberner, Joint Committee Secretariat, introduced the item and provided a verbal update on the recent election of the Partner Fund Nominated Non- Executive Director. Members were informed that the election had been conducted thoroughly using a single transferable vote system, with 16 votes cast.
Following two rounds of voting, Cllr Aidan Fisher had been duly elected as nominee for the role and was congratulated by the Chair.

RESOLVED: The Committee noted the verbal update.

9 SCHEME MEMBER REPRESENTATIVE ELECTION

Gillian Taberner, Joint Committee Secretariat, introduced the item on the recent election of a Scheme Member Representative. Members were informed that the election had been held remotely and was open to candidates from the 7 Partner Funds that had joined the Scheme in April 2026. Five candidates stood and Gareth Wall was duly elected as Scheme Member Representative.

Members were advised that, following a settling in period with the new JC Secretariat, the election process would be reviewed with the Scheme Member Representatives to identify and explore any potential improvements for future elections.

RESOLVED: The Committee

- **Noted that Gareth Wall has been elected as Scheme Member Representative for an initial term of two years to July 2028.**
- **Noted the update at section 5 of this report regarding future arrangements for the scheme member representative role.**

10 PARTNERHSHIP CULTURE CHARTER

Neil Mason, Chair of the Officer Operations Group, presented the Partnership's Cultural Charter, outlining its purpose, key principles and approval process. He advised that the Charter set out shared expectations for collaborative working, constructive challenge and trust, and had been developed through engagement with partners and would progress through the Partnership's typical governance arrangements.

Milo Kerr, Head of Customer Management, assured Members that the Charter was not intended to replace individual organisational cultures, but to provide a shared framework for Partnership working, with further engagement planned over the coming year to support its implementation.

Members discussed whether this was the right time to adopt the Charter and sought assurance that the beliefs and preferences of individual Partner Funds would be reflected in the development of the investment capabilities at Border to Coast. In response, it was stated that the Charter's success would be measured through its practical application, with ongoing listening and engagement informing the pipeline of capabilities.

Members were reassured that any inconsistencies between Partner Fund beliefs and preferences would be considered before proposals were progressed, supported by a team of experts focused on achieving the best outcomes. It was explained the Culture Charter was owned collectively by the Partner Funds, with the Charter underpinning a collaborative approach to its development. Members were also advised that Individual Partner Funds remained responsible for decisions within their own Authorities.

In response to a Member's question on how the impact of the Charter could be assessed, the annual satisfaction survey was referenced as a mechanism for Partner Funds to provide feedback on the Partnership's culture. Members were also advised that concerns could be raised through officers between formal meetings, as well as at potential future Joint Committee training sessions.

RESOLVED: The Committee approved the Charter.

11 2025 PARTNER FUND SATISFACTION SURVEY UPDATE

The item was introduced by Ewan McCulloch, Chief Stakeholder Officer, who provided an overview of the findings from the 2025 Partner Fund Satisfaction Survey. Members heard that the survey reflected positive feedback on the Partnership's culture, governance arrangements and investment capabilities, while also identifying areas for further development as the Partnership evolves. He also advised that future surveys would include the new Partner Funds and would incorporate feedback on how the Culture Charter was being upheld across the Partnership.

In response to a Member's suggestion that the survey could be used as an opportunity to more closely involve Pension Boards, it was stated that the Satisfaction Survey was collectively owned by the Partnership and that questions were developed with officers to ensure they remained relevant. It was agreed that the suggestion would be taken away for consideration.

Officers confirmed that the survey response rate was 80% and that further information could be circulated in due course.. Members acknowledged the importance of the Satisfaction Survey in informing action plans and monitoring progress, including efforts to standardise questions to support consistency and trend analysis over time.

It was confirmed that officers would circulate the detailed slide pack accompanying the 2025 Partner Fund Satisfaction Survey presentation to Members.

RESOLVED: The Committee noted the report; and
agreed that all Partners Fund Authorities should complete the next annual survey issued in October.

12 INVESTMENT UPDATE

The item was introduced by Joe McDonnell, Chief Investment Officer – Border to Coast Pension Partnership, who presented the report and updated the Committee on investment market performance and responsible investment activity during Q1 2026. He highlighted the market volatility experienced during the quarter in relation to international conflict, the impact of AI on businesses and that equity market performance had been mixed. Performance improved during Q2, with emerging markets performing strongly and investor sentiment recovering.

In response to a question regarding exposure to the technology sector within Border to Coast portfolios, Members were advised that individual equity propositions had been built with differing investment characteristics. It was outlined that diversified strategies had faced challenges as market returns had been concentrated in a small number of large technology companies, although overall absolute performance across the portfolios had remained strong. Members also heard that Border to Coast continued to maintain a long-term commitment to emerging market investments, which had recently delivered improved returns following a prolonged period of weaker performance.

RESOLVED: The Committee noted the report.

EXEMPT ITEMS

RESOLVED that under Section 100A(4) of the Local Government Act 1972, that the press and public be excluded from the following items of business on the grounds that these would involve the likely disclosure of exempt information as defined under paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

13 2030 CUSTOMER STRATEGY

Milo Kerr, Head of Customer Relationship Management, introduced the item, presenting the Customer Strategy and its vision for Border to Coast and the Partner Funds to operate as a unified partnership by 2030. The report outlined the 6 key objectives, highlighted the strong foundations already in place, and set out plans to further strengthen engagement, partnership working and continuous improvement in the years ahead.

RESOLVED: The Committee noted the report.

14 EVOLVING JOINT COMMITTEE OVERSIGHT

Neil Mason, Chair of the Officer Operations Group, introduced the report, outlining that Joint Committee oversight arrangements were continuing to evolve, including the establishment of a new Officer subgroup to consider what effective oversight should look like in the future and to review relevant best practice and governance implications.

Mr Kerr presented a summary of investment performance to 31 March 2026. He added that this report was an interim step in the development of an evolving oversight framework and emphasised the ongoing work being undertaken through the OOG, together with a programme of workshops to support effective scrutiny and continued development.

Members asked how the proposed oversight framework would strengthen the Joint Committee's ability to scrutinise and challenge performance. In response, Mr Kerr provided assurance that the framework would focus on outcome-based metrics designed to support meaningful discussion, complemented by detailed officer oversight and additional layers of scrutiny. Mr Jabbour, Partner Fund Nominated Executive Director, added that alongside the quarterly JC meetings, steps had been taken to ensure more consistent engagement through JC pre-meetings and closer interaction between the Partner Funds and the BCPP Board.

RESOLVED: The Committee noted the report.

15 ANNUAL INVESTMENT PROPOSITION REVIEWS AND UPDATES

Neil Mason, Chair of the Officer Operations Group, introduced the report, providing an overview of the Annual Investment Proposition Reviews undertaken over the quarter. This included the assessment undertaken by officers across the Partner Funds of the externally managed equity funds and the UK real estate fund.

Members queried the use of benchmark returns in relation to performance monitoring and questions whether a tracker approach should be considered. Mr McDonnell, CIO, acknowledged the related performance issues and advised that unusual market conditions had created additional challenges.

Members sought further information on the processes and timescales applied when monitoring investment managers and suggested that regular updates on progress would be helpful. In response, Mr McDonnell explained that manager performance was assessed within the context of wider market conditions and that diversification remained an important element of the Fund's investment approach.

Rachel Elwell, Chief Executive Officer, highlighted the importance of considering the role of individual investment strategies within the overall portfolio, rather than assessing performance solely against market benchmarks. It was acknowledged that some managers had not performed as expected, but the evolving governance and oversight framework would support more comprehensive reporting on whether investment propositions were achieving their intended outcomes within the portfolio.

Members queried how the Fund ensured that the use of multiple managers did not result in unintended concentration within the portfolio. It was explained that regular monitoring and analysis was undertaken to assess aggregate exposures across managers and to ensure that diversification was maintained.

Mr Mason provided a brief overview to the Committee on the emerging market equity Funds, including recent positive performance and progress across a number of Funds. He also highlighted that overall, most propositions were either performing as expected or showing signs of improvement, with a small number subject to enhanced monitoring or further review.

In response to questions about the level of cash being held within the property funds, officers advised that the position was temporary and reflected significant upcoming property acquisitions. Members also sought assurances in relation to the scrutiny of portfolio transactions and the management of potential conflicts of interest. It was confirmed that third party investment managers supported the process in an advisory capacity, and that decisions were made internally and subject to appropriate oversight arrangements.

RESOLVED: The Committee noted the report.

16 OVERVIEW OF POOLING PROGRESS

Milo Kerr, Head of Customer Relationship Management, introduced the paper that provided an overview on the progress of pooling including Partner Fund engagement, transition progress and plans, proposition launches and collective voice, as well as the risks to pooling. This included confirming that the intention was to conclude appropriate transfer or responsibility for relevant investments to the Pool from January 2027, although it was highlighted that some legacy assets had complex ownership arrangements which could take time to work through. The positive progress towards pooling assets and the launch of new capabilities was noted.

RESOLVED: The Committee noted the report.

17 EMERGING MATTERS – VERBAL UPDATE

The item was introduced by Rachel Elwell, Chief Executive Officer, and Ewan McCulloch, Chief Stakeholder Officer. This included brief updates in relation to the updated Pension Administration regulations, such as the Investment Strategy Statement, upcoming review of governance arrangements, and clarification of the role of the Independent Person as defined in regulation.

John Lister, Chair of the Board, welcomed members' perspectives and highlighted the forthcoming Annual General Meeting (AGM) on 15 July. Ms Elwell clarified the distinction between the JC and AGM meetings.

RESOLVED: The Committee noted the verbal update.

Border to Coast Joint Committee

Date of Meeting: **23 September 2026**

Report Title: **Questions from the Public and Responses**

Report Author: **Daniel Devine, Responsible Investment Manager**

1 Executive Summary

1.1 This item provides responses to questions submitted by members of the public.

2 Recommendations

2.1 The Joint Committee is asked to review and note the questions received and the responses provided.

3 Background

3.1. The Border to Coast Joint Committee welcomes questions from members of the public as one element of ensuring transparency and a degree of wider accountability to stakeholders.

3.2. The process was reviewed in March 2026 in light of experience and in preparation for the expansion of the partnership to ensure that questions could continue to be dealt with whilst also ensuring effective management of the Committee meeting time. It was agreed that questions will now be dealt with in writing only as an item on the agenda, with questions limited to no more than 150 words, and a stipulation that questions that have been substantially addressed in the preceding six months will not be provided with a response.

3.3. This report sets out two questions received for this meeting and the responses provided.

4 Questions and Responses

4.1. Two questions were submitted by Alison Whalley on behalf of Border to Coast Fossil Free Campaign.

Question 1

Recently West Yorkshire Pension Fund, along with six other institutional investors, including Safra Sarasin and Ircantec called for the moratorium on gas and oil drilling in the Arctic to continue, as Norway is calling on the EU to consider lifting it.

“Lifting the ban would benefit Equinor, Norway’s state-owned oil firm which holds the vast majority of licenses and infrastructure in the region. Safra Sarasin and Ircantec have already divested from Equinor, citing concerns about the firm’s rollback of climate ambitions.”[1]

This would further accelerate climate breakdown, and wreck achieving the Paris climate targets. Burning fossil fuels is the primary driver of carbon emissions, and these emissions are still rising.[2]

Will you join West Yorkshire Pension Fund and others to support the call to keep the moratorium in place, and would this be a “red line” for you if Equinor started Arctic drilling?

[1] https://www.netzeroinvestor.net/news-and-views/briefs/european-investors-join-call-to-keep-freeze-on-arctic-oil-and-gas-drilling

[2] https://www.iea.org/reports/global-energy-review-2025/co2-emissions

Question 2

USS, the UK’s largest private pension fund, has adopted a new approach to climate risk modelling according to a recent article in NetZero Investor. Current climate modelling has been criticised for being unrealistically linear, not taking into account the interaction of risk factors, the accelerating possibility that climate tipping points will be reached sooner than earlier predictions, and a whole systems perspective. USS Investment Management CEO, Simon Pilcher explains “We see a hot world as being a profoundly damaging world for our scheme … the risks to the scheme are not risks to certain assets. They’re risks to all assets.” [1]

We are interested to know if BCPP’s climate risk modelling has also changed to reflect this new approach, and if this has not happened, the reasons why?

[1]https://us.listmanage.com/QrNRibRssHS?e=9294db6362&c2id=766c145dd763fbfd7b075ebdb3e0d728

4.2. The responses have been prepared in accordance with terms of policies agreed by partner funds on the issues raised and is provided as follows.

Response 1

We consider participation in external investor statements and initiatives on a case-by-case basis, taking account of the materiality of the issue and its relevance to our holdings and stewardship priorities.

We do not generally apply single-issue "red lines" to individual companies. Instead, we assess companies against our climate expectations and their ability to deliver long-term shareholder value, informed by their transition strategy, governance and responsiveness to engagement.

Response 2

Climate scenario analysis is already an established part of our approach to understanding climate-related risks and opportunities. We use scenario analysis to assess the potential implications of different transition and physical climate outcomes for our investment portfolios, supporting risk management and stewardship activities. The approach recognises the uncertainty inherent in future climate pathways and helps test portfolio resilience across a range of plausible outcomes.

Scenario analysis complements our broader approach to portfolio resilience, including our investment in climate solutions and stewardship activities, by helping to identify where climate-related risks and opportunities may emerge over time. It supports a forward-looking understanding of portfolio exposure and informs our ongoing assessment of financially material climate-related factors.

Border to Coast Joint Committee

Calendar of Meetings

2025/26	2026/27	2027/28
Wednesday, **9 July 2025**: Joint Committee meeting in Leeds	Wednesday, **8 July 2026**: Joint Committee meeting in Leeds	Wednesday, **7 July 2027**: Joint Committee meeting in Leeds
Wednesday, **24 September 2025**: Joint Committee meeting in Leeds	Wednesday, **23 September 2026**: Joint Committee meeting in Leeds	Wednesday, **22 September 2027**: Joint Committee meeting in Leeds
Thursday and Friday, **25 and 26 September 2025**: Border to Coast Annual Conference in Leeds	Thursday and Friday, **24 and 25 September 2026**: Border to Coast Annual Conference in Leeds	Thursday and Friday, **23 and 24 September 2027**: Border to Coast Annual Conference in Leeds
Monday, **10 November 2025**: Virtual workshop	Tuesday, **10 November 2026**: Virtual workshop	Tuesday, **9 November 2027**: Virtual workshop
Tuesday, **25 November 2025**: Joint Committee meeting in Leeds	Tuesday, **24 November 2026**: Joint Committee meeting in Leeds	Tuesday, **23 November 2027**: Joint Committee meeting in Leeds
Thursday, **22 January 2026**: Virtual workshop	Thursday, **21 January 2027**: Virtual workshop	Thursday, **20 January 2028**: Virtual workshop
Tuesday, **24 March 2026**: Joint Committee meeting in Leeds	Tuesday, **23 March 2027**: Joint Committee meeting in Leeds	Tuesday, **21 March 2028**: Joint Committee meeting in Leeds

AGENDA ITEM XX

Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: **23rd September 2026**

Report Title: **Joint Committee Budget**

Report Sponsor: **Neil Mason, Chair Officer Operations Group**

1.0 Recommendation

1.1 The Joint Committee is asked to:

- Note the budget position for 2026/27.

2.0 2026/27 Joint Committee Budget

2.1 At the Joint Committee meeting in March 2026, a budget of £100,000 was approved for 2026/27.

2.2 The budget was increased to reflect the partnership expanding to 18 Partner Funds and the need to incur costs to provide a larger meeting room at an external venue, at least for the time being.

2.3 In addition, there is expected to be significant legal work required to agree new legal documents including the IMA (Investment Management Agreement).

2.4 As always only the final actual costs are recharged to partner funds and so the budget only provides an indicative figure for each partner fund to budget for.

3.5 To date expenditure has been incurred of £96,764 which relates to primarily to legal advice. Given the significant amount of work required to complete the IMA and development of new investment services further additional legal costs are anticipated during the year and so an overspend should be expected.

3.0 Conclusion

3.1 For 2026/27 expenditure of £96,764 has been incurred against the £100,000 budget.

Report Author:

Neil Sellstrom, neil.sellstrom@southtyneside.gov.uk

Further Information and Background Documents:

N/A

AGENDA ITEM 9

Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: **23 September 2026**

Report Title: **Q2 2026 Investment Markets Update**

Report Sponsor: **Joe McDonnell – CIO**

1. Executive Summary

1.1. This report provides a brief overview of investment markets, responsible investment and stewardship activity over the quarter. We have also introduced a quarterly "thematic" section to the report, designed to provide deeper insight into an investment issue that is shaping markets, portfolios or long-term investment outcomes for Partner Funds. The intention is both to share evolving thinking on topics that may materially affect Partner Fund portfolios and to provide a framework for Partner Funds to input into our thematic views and research agenda.

1.2. In this instance, Border to Coast is not providing financial advice or making any personal recommendation regarding the suitability of making specific investments. The information supplied is intended to be factual and should not be interpreted as advice tailored to the circumstances of any Partner Fund or individual.

1.3. A separate item on the agenda provides detail on performance of Border to Coast propositions.

2. Recommendation

2.1. That the Committee notes the report.

3. What happened in markets over the quarter?

3.1. Equity returns were strong over the quarter with emerging markets outperforming developed markets, even allowing for the outsized negative return of the Chinese market. *(Appendix 1, Chart 1)*

3.2. Within the US total quarterly return of around 15%, performance was less concentrated in large-cap tech names that has been the case in recent quarters. Illustrating this, the all-market, S&P500 outperformed the so-called "Magnificent Seven" by 3.5% on the quarter.

3.3. While mega-cap stocks took a back seat in terms of performance, investor attention remained firmly focused on the AI theme, with semiconductor stocks delivering strong returns. This sector-driven dynamic was also reflected in pronounced regional dispersion. Chinese equities declined over the quarter, in stark contrast to the semiconductor-heavy Korean market, which generated a total return of more than 80% over the same period.

3.4. Within developed markets, the UK was a significant underperformer, a combination of the large energy weight of the FTSE100 and the decline in oil prices between March and June (with WTI crude around $100 per barrel at the start of quarter falling to $70 by the end).

3.5. Having been the first to begin cutting policy interest rates in 2024, the European Central Bank (ECB) was again ahead of the Federal Reserve and Bank of England and raised rates in June *(Appendix 1, Chart 2)*. ECB policymakers explained this as a response to near-dated inflation concerns that had been particularly elevated earlier in the quarter, prior to the previously mentioned oil price fall.

3.6. The decline in oil prices also meant that inflation expectations in the UK[1] fell over the quarter, although remained slightly elevated compared to 12-months earlier *(Appendix 1, Chart 3)*. In turn, this meant that Gilt yields were also able to retreat from their Q1 highs *(Appendix 1, Chart 3)*.

3.7. Sterling investment grade spreads (the additional yield from lending to a corporate, over a government) were mostly unchanged on the quarter, reflecting the broader stability in risk sentiment encouraged by the decline in energy costs. Relative to its own history, the sterling investment grade market appears fairly valued relative to Gilts *(Appendix 1, Chart 4)*.

4. Looking ahead

4.1. Although oil prices have not returned to their late-Q1 highs, the decline in energy costs that encouraged risk sentiment during the second quarter has not continued into Q3, so far. At the time of writing, WTI crude was increased from $70b to $88b, almost exactly halfway between its pre-Iran war level of $60b and April high of $112b.

4.2. Despite this, there remains little evidence that higher energy costs are feeding through to inflation. In most regions, headline CPI inflation has declined, and core CPI (prices excluding food and energy) has shown no signs of responding to elevated energy costs.

4.3. However, government bond yields that had declined during the second quarter have since increased to multi-decade peaks. At the time of writing, the 10-year benchmark gilt yield was 5.2%, the highest since August 2008 and significantly exceeding the 4.5% peak seen during the Liz Truss/Emergency Budget episode of early-Q4 2022.

4.4. Continuing the trend seen in H1, this increase in nominal yields has not been the result of increasing inflation expectations, but higher real yields as investors grapple with large government deficits in most developed economies at the same time as competition for debt-capital from high levels of bond issuance (largely to fund AI activity).

4.5. While the ongoing risks of energy price volatility and government deficits are being captured in government bond yields, equity markets are being supported by positive

[1] As measured by the UK breakeven inflation curve

earnings growth and forecasts. Crucially, including in the US and Asian tech sectors where high existing valuations require the justification of ongoing strong earnings growth.

4.6. We believe bond yields have now reached a point where further meaningful increases in yields could begin to undermine some of the more optimistic equity valuations in tech and related sectors. We would also be concerned if we were to begin to see evidence of large tech companies suffering margin compression because of over-capacity in the sector.

4.7. However, we believe bond yields, already at multi-decade highs in many developed economies, already adequately capture the deficit and broader funding risk pressures described above. Likewise, we see no sector-wide evidence of tech overcapacity.

5. Quarterly theme – the changing face of passive

5.1. The rationale for passive equity investing has long been straightforward: buy the market, accept average returns, avoid active manager fees and gain broad diversification. The challenge today is that passive investors are now exposed to a far less diversified basket of stocks than in previous decades. Instead, they are increasingly concentrated in a small number of large-cap technology companies, fundamentally altering the risk characteristics of passive investing.

5.2. For most of the post-war period, index investing provided meaningful diversification across industries, economic cycles and investment styles. Market leadership rotated between sectors and companies, allowing passive investors to own a broad cross-section of the real economy. Today, however, index performance is increasingly driven by a small group of companies linked to artificial intelligence, cloud computing, semiconductors and internet advertising. These themes are highly interconnected, creating significant concentration risk *(Appendix 2, Chart 1)*.

5.3. Research suggests that this concentration is not solely a consequence of changes in the real economy. Instead, growing passive fund inflows may themselves be reinforcing the dominance of the largest companies. When passive funds receive inflows, they allocate more capital to the largest index constituents, lowering their cost of capital and potentially strengthening their competitive position. This creates a feedback loop in which size attracts capital, which increases size further.

5.4. The scale of passive investing means this dynamic could now be a significant influence on market structure *(Appendix 2, Chart 2)*. If passive flows affect company growth and market leadership by cheapening the cost of capital to already large (and highly index weighted) companies, then passive investing is no longer simply reflecting the structure of economy; but possibly impacting its structure[2].

5.5. The implications extend beyond sectors into investment styles. Academic research has shown that long-run equity returns are influenced by factor exposures such as size, profitability and valuation. Historically, market-cap indices offered relatively balanced factor exposure. Today, passive investors have a significant tilt towards

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[2] Recent research by Hannah Unterberg argues that the shift from active to passive investing has created persistent demand effects that influence prices and help explain weaker active manager performance.

large-cap growth and momentum factors. What appears to be a neutral equity allocation is increasingly an active bet on the continued dominance and strong earnings growth of a small number of technology companies *(Appendix 2, Chart 3)*.

5.6. This does not mean these companies are unattractive investments. Many generate substantial earnings and may justify their valuations. The central issue is not whether individual mega-cap technology firms are good investments, but whether their dominance in portfolios is fully considered.

5.7. Concentration itself is not necessarily a problem. Equity market wealth creation has always been concentrated among a relatively small number of successful companies. However, investors should recognise that passive investing has evolved.

5.8. For long-term investors such as LGPS funds, index investing undoubtedly has a place within a comprehensive equity portfolio that is diversified across geographies, sectors and styles. Index strategies can also provide cost-effective, liquid and flexible market exposure, serving as useful tools for long, and short term, allocations. The key point is not that passive investing should be avoided, but that its increasing prominence has introduced new risks. As with any investment, understanding precisely what exposures are being purchased is essential.

6. Risks

6.1. Effectiveness of Oversight: There is a risk that the Joint Committee does not receive sufficient information, context and insight to effectively oversee Border to Coast's investment activities and understand the implications of market developments for Partner Fund outcomes. The existing oversight framework is currently being reviewed and developed through work being undertaken by the Joint Committee Oversight Working Group and the Officer Operations Group. This report forms part of the current framework and provides market context, emerging themes and forward-looking analysis to support informed discussion and challenge while the future approach to oversight is being developed.

6.2. Risk of Narrow Perspectives: There is a risk that investment oversight and strategic discussions become reliant on a limited range of viewpoints, resulting in insufficient challenge to prevailing assumptions and a reduced ability to identify emerging risks, opportunities or changes in market structure. This risk is mitigated through Border to Coast's engagement with a broad range of external stakeholders, including investment managers, advisers, research providers and market participants. The Pool also draws on a wide range of external research and market intelligence when developing its investment views and thematic analysis, helping to ensure that discussions are informed by diverse perspectives and evidence from across the investment industry.

6.3. Risk of Insufficient Market Context: There is a risk that proposition performance and investment outcomes are considered without sufficient understanding of the wider market environment in which they are delivered, potentially leading to incomplete conclusions regarding performance, risk and long-term outcomes.

7. Author

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4 September 2026

8. Supporting Documentation

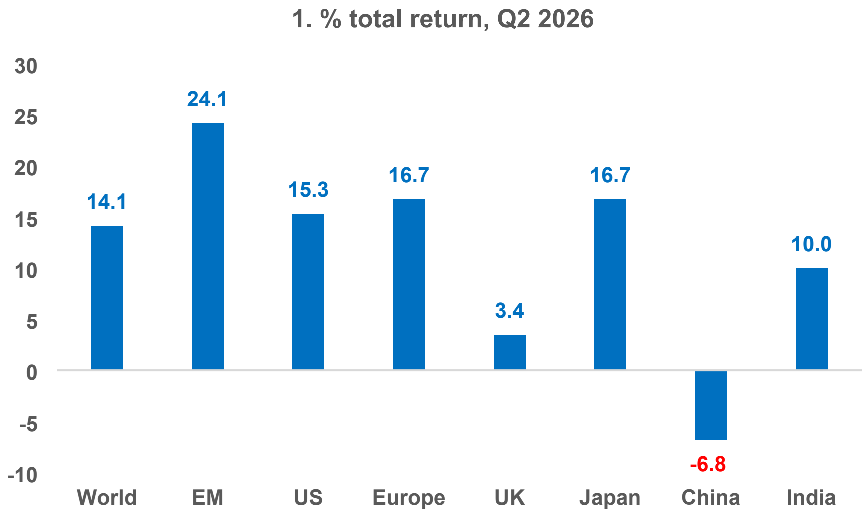
Appendix 1: Key explanatory charts for Q2 2026

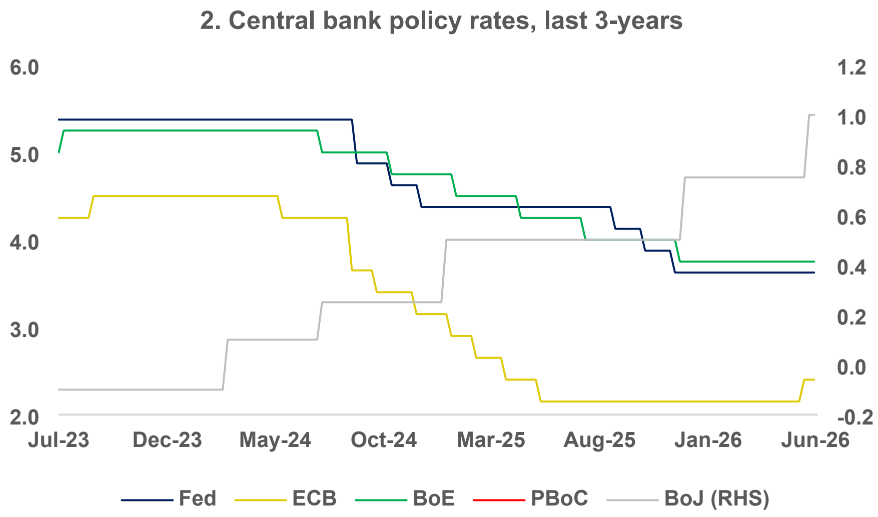
Appendix 2: Quarterly thematic charts

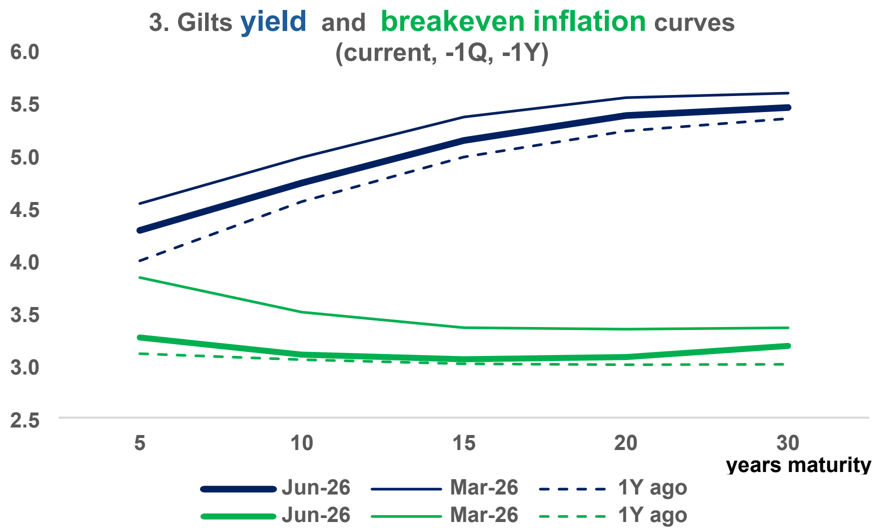
Appendix 3: Market performance Q2 2026

Important Information

Appendix I: Key charts for Q2 2026



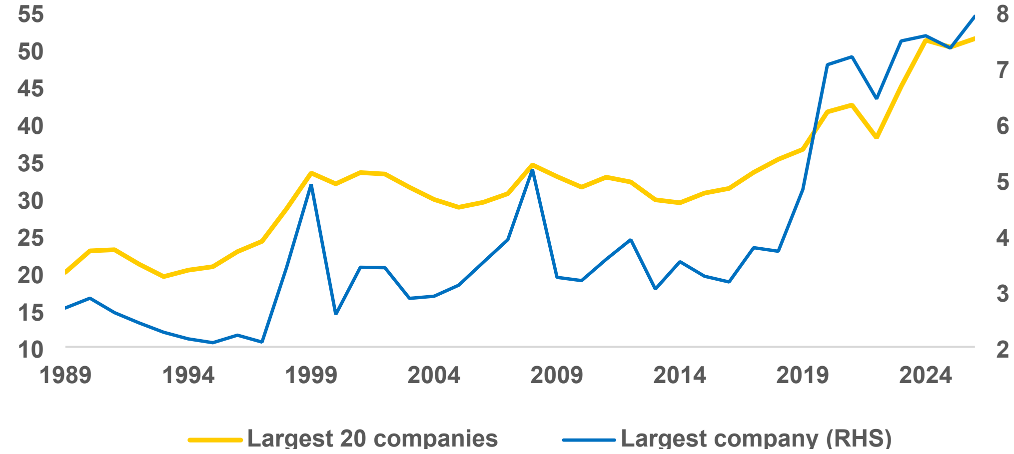




Appendix 2: Quarterly theme charts

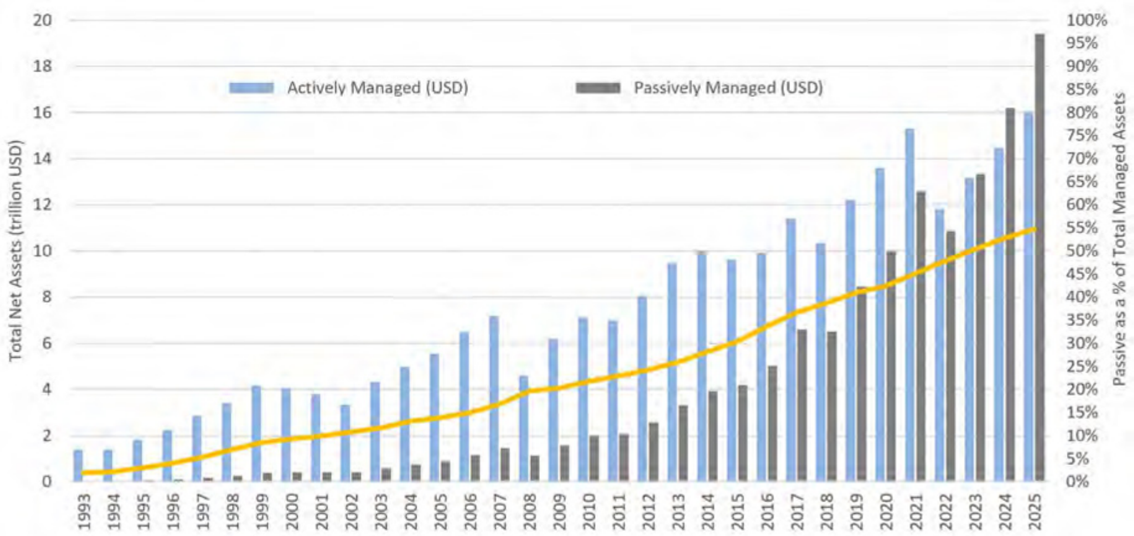
1. Concentration of S&P500 Index, 1989-2025

The largest 20 US stocks now account for more than half of a market cap weighted passive US equity strategy - or 35% of global market cap. This is unprecedented concentration risk for passive equity investors.



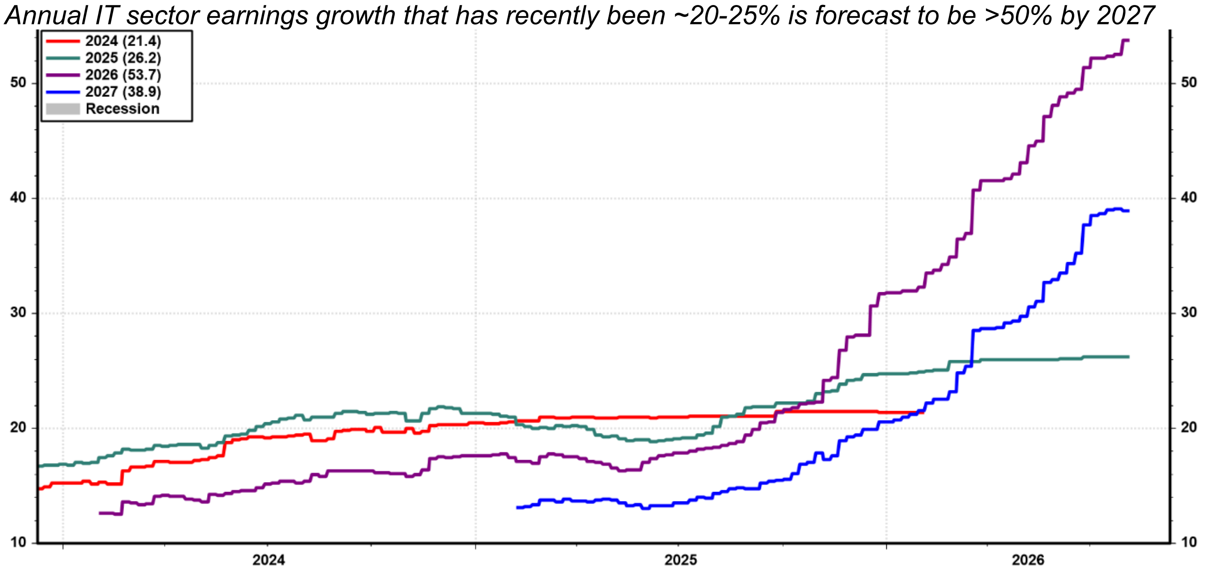
2. Passive and active equity flows, all US equity mutual fund and ETFs

Passively managed equity AUM exceeded actively managed in 2023 and continues to grow more rapidly



3. S&P500 Information Technology Consensus Earnings Forecasts, 2024-27

Annual IT sector earnings growth that has recently been ~20-25% is forecast to be >50% by 2027



Appendix 3: Market Performance Q2 2026

	Quarter	1-year	3-year (annualised)
Equities	%	%	%
Global Equities	14.2	27.7	17.8
Emerging Market Equities	12.0	22.5	16.8
US Equities	15.2	22.3	20.5
UK Equities	4.7	21.8	15.2
Europe ex UK Equities	13.3	19.5	17.2
Asia Pacific ex Japan Equities	36.5	73.2	27.6
Japan Equites	15.9	45.4	23.0
Fixed Income			
UK Index Link Gilts	-2.1	0.9	-5.3
Sterling Investment Grade	2.6	4.3	6.5
Developed Markets High Yield	2.5	5.9	8.8
Leveraged Loans	1.8	4.3	7.5
Emerging Markets Debt (Hard)	4.6	11.8	10.3
Real Assets			
Listed Private Equities	2.3	-14.6	10.8
Global Listed Infrastructure	1.5	16.5	16.4
Global Real Estate Investment Trusts	11.1	16.7	10.9
Commodities	-8.9	20.7	6.8

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