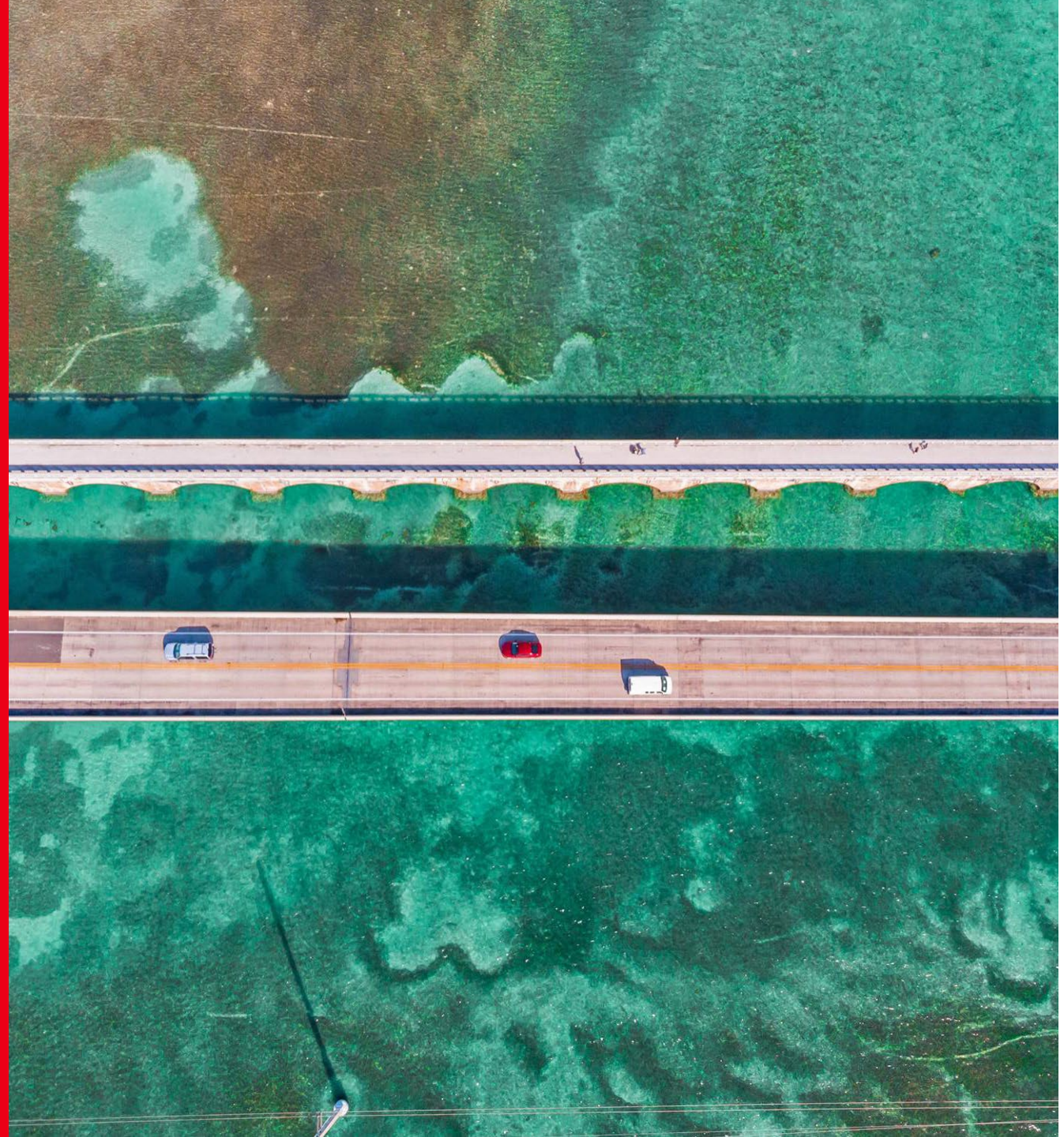

Quarterly Funding & Investment Report

End June 2025

Prepared for: North Yorkshire Pension Fund

Prepared by: Aon

12 September 2025

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Contents

1 At a glance 3

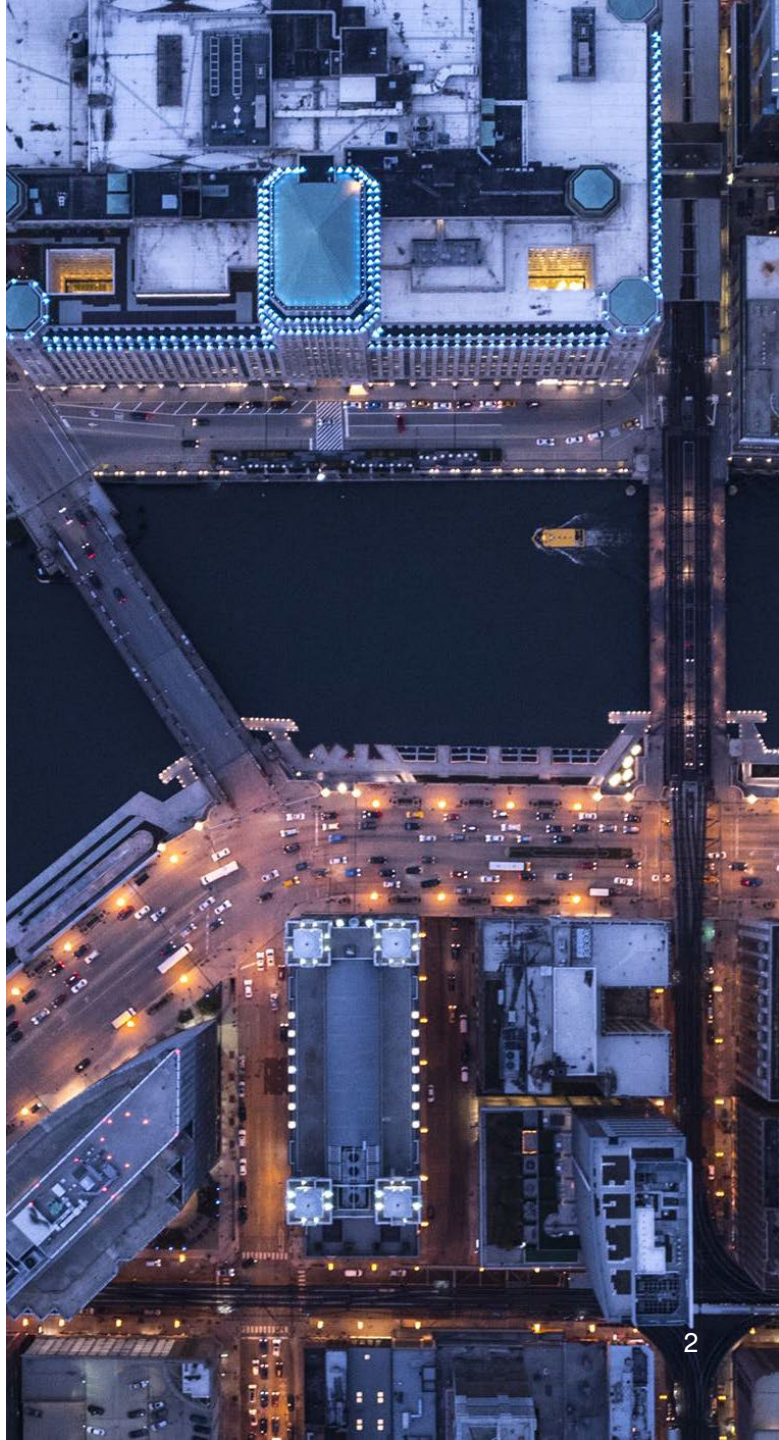
2 Market background 6

3 Asset Allocation 9

4 Fund performance 14

5 Manager review 21

6 Market outlook and Aon's favoured investment strategies 30



1

At a glance

A high level summary of your investments and funding

At a glance...

Funding

The 31 March 2025 triennial actuarial valuation is ongoing with initial results to be discussed at the 12 September 2025 Pension Fund Committee ("PFC") meeting.

To avoid presenting a misleading picture due to the ongoing triennial actuarial valuation, the funding update has not been produced for this Q2 Funding and Investment report.

Once the triennial actuarial valuation and funding strategy have been finalised, we expect the funding update to be available for the March 2026 Committee meeting, which will show how the funding position has moved since 31 March 2025.

In the interim period, the 30 September 2025 Funding and Investment report will cover the expected funding position at 30 September 2025.

Asset Allocation and Implementation

At the February 2025 PFC meeting, a new strategic asset allocation was agreed ahead of the 31 March 2025 actuarial valuation. Initial rebalancing steps have been made and further advice on how the agreed strategy will be implemented will be discussed and considered over the coming months.

Post Q2 quarter end, Officers and Advisors agreed to rebalance from Baillie Gifford Equity to Index Linked Gilts and cash as part of moving towards the new investment strategy.

The Fund has committed c.£37.5m to the Border to Coast UK Real Estate fund.

Performance

Total Fund performance is ahead of the composite benchmark over the quarter, 1 year and 3 year periods and behind over the 5 year period to 30 June 2025.

Note the 3 and 5 year performance periods are still impacted by elevated volatility and challenging markets conditions over the 2020s which has included the Covid-19 pandemic, elevated inflation levels, and increased geopolitical tensions.

Market Background and Investment Outlook (July 2025)*

Global equity markets rose over Q2 2025, despite facing a significant correction in the early weeks of the quarter driven by proposed US tariffs policies .

Markets have been relatively sanguine about the uncertain trade and geopolitical environment. This has meant that financial conditions have remained relatively loose, and this reinforces our base case that a recession is avoided.

However, we think it is unlikely that growth will be as fast in 2025 or 2026 as it was in 2024. The slower growth environment will make it hard for the earnings acceleration that analysts are expecting for public equities to be achieved. We think investors need to think widely about which risk assets will deliver attractive risk adjusted returns.

KEY ACTIONS

- Committee members to consider to result initial results from the 31 March 2025 triennial actuarial valuation at the 12 September PFC.
- Committee members to consider the contents of this report.

Note: *The opinions referenced are as of the date of publication (17 July 2025) and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Key Stats – Q2 2025

Assets	Current Assets Expected Return (10 year p.a.)	Long-term Strategy Expected Return (10 year p.a.)	Current Assets Value at Risk (1 Year 1 in 20)	Long-term Strategy Assets Value at Risk (1 Year 1 in 20)
£4,908m	+7.3%	+7.5%	£996m	£905m
Assets increased by £273m since 2022 valuation. £4,635m at 2022 valuation	1.4% increase since 2022 Valuation 5.9% at 31 March 2022 valuation date	1.4% increase since 2022 Valuation 6.1% at 31 March 2022 valuation date		

Please note: The 31 March 2025 triennial actuarial valuation is ongoing with initial results to be discussed at the 12 September 2025 Pension Fund Committee ("PFC") meeting. To avoid presenting a misleading picture due to the ongoing triennial actuarial valuation, the funding update has not been produced for this Q2 Funding and Investment report. Once the triennial actuarial valuation and funding strategy have been finalised, we expect the funding update to be available for the March 2026 Committee meeting, which will show how the funding position has moved since 31 March 2025. In the interim period, the 30 September 2025 Funding and Investment report will cover the expected funding position at 30 September 2025.

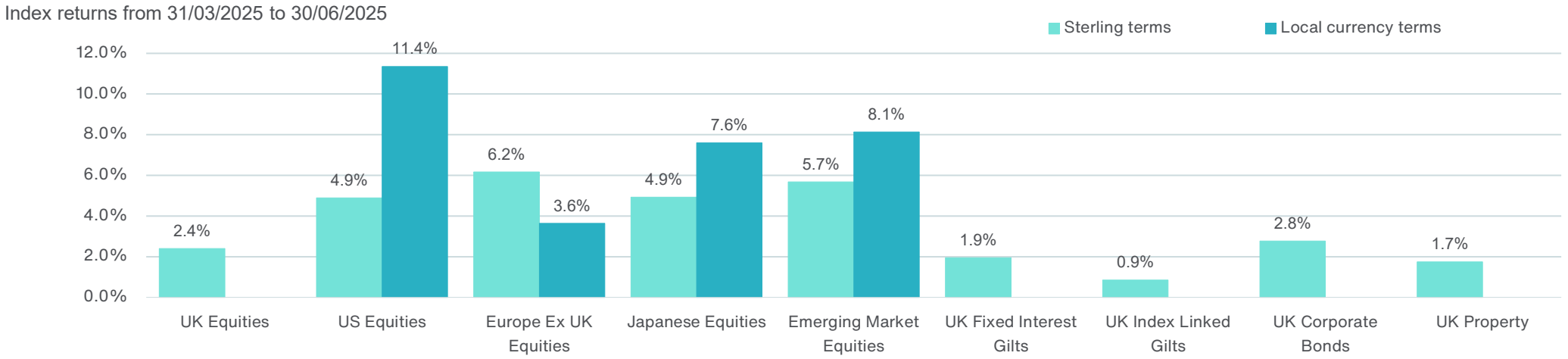
AON

2

Market background

Aon’s views snapshot of investment markets and key economic data

Market Background Q2 2025



Sources: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit).

Equities

Global equity markets rose over Q2 2025, despite facing a significant correction in the early weeks of the quarter.

For most of the quarter, announcements and modifications on trade policy increased uncertainty among investors as higher than expected tariff rates were imposed to major U.S. trading partners. Meanwhile, the last few weeks of the quarter remained dominated by rising geopolitical tensions in the Middle East.

Bonds

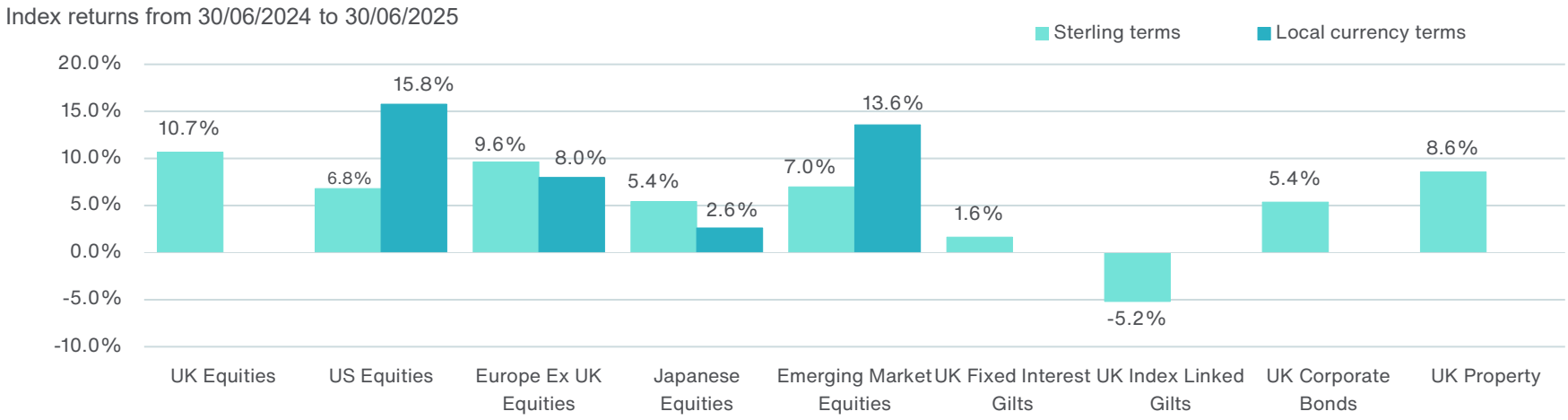
UK investment grade credit spreads narrowed by 0.10% to 0.92% over the quarter, based on the IBoxx Sterling Non-Gilts index. Both higher-quality and lower-quality bond credit spreads narrowed, with AAA-rated non-gilt spreads falling by 0.04% to 0.24%, AA-rated non-gilt spreads fell by 0.06% to 0.54%, and BBB-rated non-gilt spreads fell by 0.14% to 1.29%. The IBoxx Sterling Non-Gilts Index posted a return of 2.8%.

Gilts

The UK nominal gilt yield curve shifted downwards across short and medium-term maturities, while yields at the longer end of the curve shifted upwards. The 10-year nominal bond yield fell by 0.15% to 4.62%, whereas the 30-year nominal bond yield rose by 0.9% to 5.57%.

The index-linked gilt yield curve shifted mostly upwards over the quarter (except for the two-year maturity, where it fell). Breakeven inflation fell across all maturities. The 10-year breakeven inflation rate fell by 0.38% to 3.13%.

Market Background 12 month



Sources: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit).

Equities

Global equity markets rose over the last twelve months. The MSCI ACWI rose 14.2% in local currency and 7.6% in sterling terms. Inflation has started moving upwards, after reaching the Bank of England's 2% inflation target in Q3 2024. The likelihood of a global growth slowdown has recently increased amid rising trade tensions between the US and its trading partners.

Bonds

The UK credit market performed positively over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, narrowed slightly by 0.17% to 0.92%. The index rose 5.4% over the year.

Gilts

Over the year, the UK nominal gilt curve shifted upwards across the medium to long-term maturities and fell across the short-term maturities. The 10-year nominal bond yield rose by 0.38% to 4.62%. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts rose by 1.6% and index-linked gilts fell by 5.2% over the last twelve months.

3

Asset Allocation

A review of your strategic asset allocation

Overall Asset Allocation – Q2 2025

Asset Group	Manager	30 June 2025				
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Possible action
Equities		**2,040.2**	**41.6%**	**39.0%**	**2.6%**	
	BCPP Global Equity	1,491.3	30.4%	31%	-0.6%	
	Baillie Gifford LTGG	548.9	11.2%	8%	3.2%	
Property		**294.5**	**6.0%**	**4.25%**	**1.8%**	
	L&G	48.3	1.0%			
	Threadneedle	246.3	5.0%			
Infrastructure		**801.2**	**16.3%**	**15.0%**	**1.3%**	
	BCPP Infrastructure	424.1	8.6%			
	BCPP Listed Alts	293.3	6.0%			
	BCPP Climate Opportunities	78.5	1.6%			
	BCPP UK Opportunities	5.3	0.1%			

Source: Northern Trust, Aon. Note: Numbers may not sum due to rounding.

Overall Asset Allocation – Q2 2025 (cont.)

Asset Group	Manager	30 June 2025				
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Possible action
Private Credit		**223.2**	**4.5%**	**11.0%**	**-6.5%**	
	BCPP Private Credit	199.3	4.1%			
	Arcmont	19.0	0.4%			
	Permira	4.8	0.1%			
Non-Investment Grade Credit		**265.9**	**5.4%**	**5.25%**	**0.2%**	
	BCPP Multi Asset Credit	265.9	5.4%			
Investment Grade Credit		**377.1**	**7.7%**	**8.0%**	**-0.3%**	
	BCPP Investment Grade Credit	377.1	7.7%			
Gilts		**813.3**	**16.6%**	**17.5%**	**-0.9%**	
	BCPP Index Linked Bonds	813.3	16.6%			
Cash		**92.7**	**1.9%**	**0.0%**	**1.9%**	
	Internal Cash	92.7	1.9%			
Total		**4,908.0**	**100.0%**	**100.0%**		

Source: Northern Trust, Aon. Note: Numbers may not sum due to rounding.

Investment strategy update

Recent and upcoming activity

- Follow up discussions from the initial investment strategy review process were held with Committee members at the February PFC meeting. A new strategic asset allocation was agreed ahead of the 31 March 2025 actuarial valuation. Initial rebalancing steps (as noted below) have been made and further advice on how the agreed strategy will be implemented will be discussed and considered over the coming months.
- The Fund's 39% allocation to equities has been agreed to be split as 31% in Border to Coast's Global Equity Alpha fund and 8% in Baillie Gifford's Long Term Global Growth fund.
- The Fund has committed c.£37.5m to the Border to Coast UK Real Estate fund, of which c.£13.1m has been drawn down in July 2025, with c.£13m scheduled to be drawn down in September 2025 and the remaining c.£11.3m to be drawn down in the following quarters.
- Officers and Advisors agreed to rebalance as part of moving towards the new investment strategy as follows:
  - UK Equities have now been fully redeemed during April (c.£50m) and May 2025 (c.£64m), with the proceeds invested in the Border to Coast Inflation Linked Bond fund.
  - Partial redemptions were made from Ballie Gifford Long Term Global Growth in June (c.£60m) and July (c.£90m) with proceeds invested in cash.
  - Further partial redemptions were made from Ballie Gifford Long Term Global Growth in August (c.£35m) and September (c.£35m) with proceeds with invested in the Border to Coast Inflation Linked Bond fund.
- We believe there remains attractive opportunities available in non-traditional asset classes such as diversifying hedge funds and insurance linked securities. However, Border to Coast do not currently have any fund offerings for these asset classes.

Transitions and cashflows

The following rebalancing activities took place over the quarter:

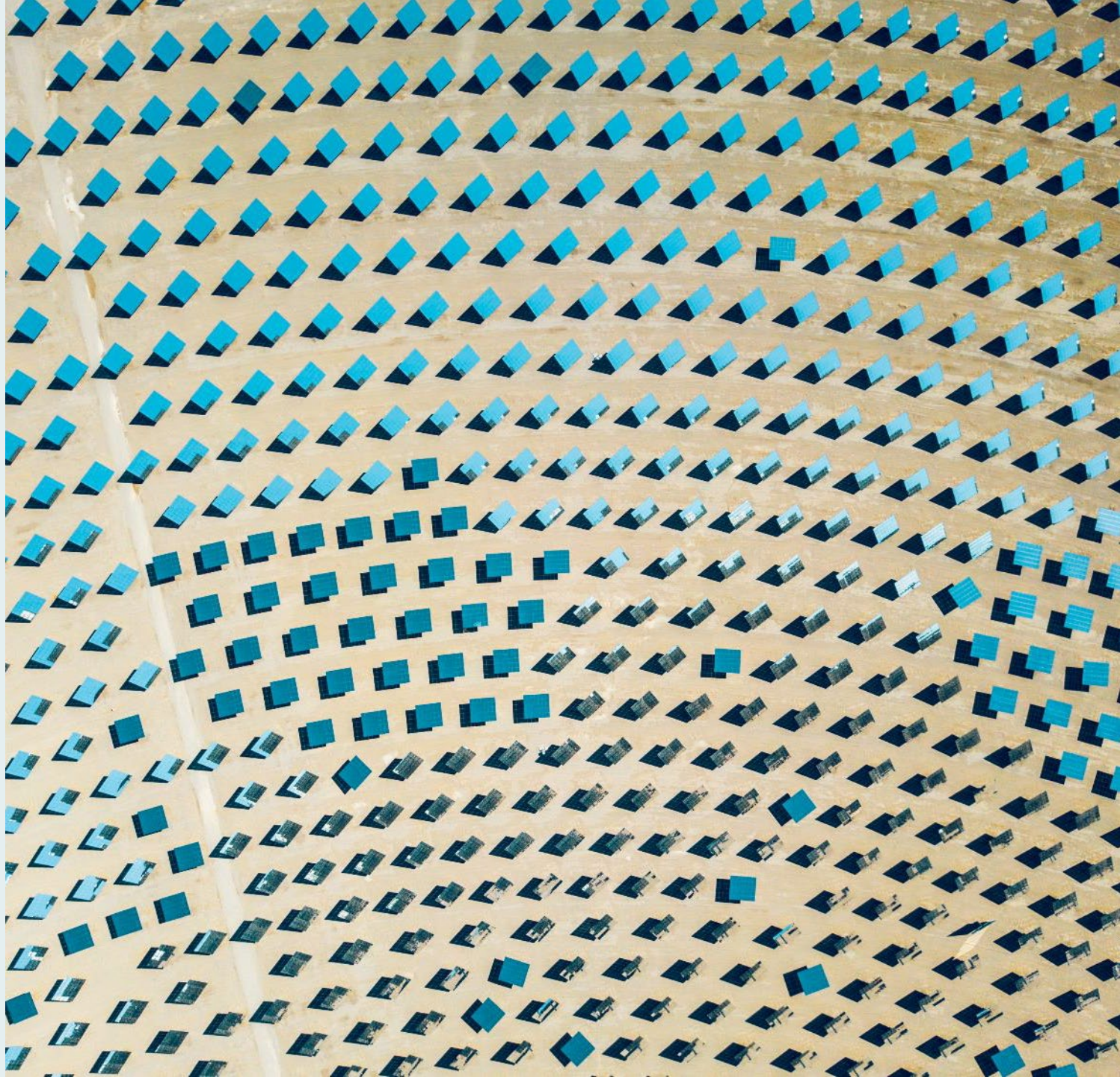
- Over the quarter, the following trading took place:
    - £60m redemption from Baillie Gifford LTGG

- Net capital calls and distributions:
    - Infrastructure: c.+£21m
    - Private Credit: c.+£5.7m
    - Climate Opportunities: c.+£4.8m
    - UK Opportunities: c.+£1.2m

4

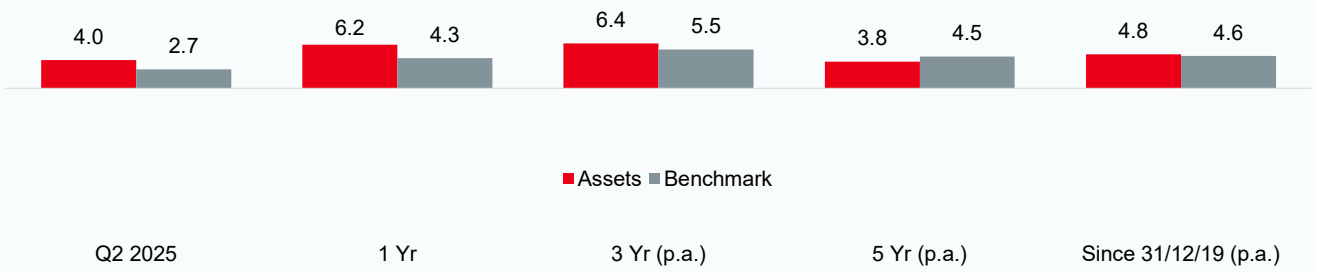
Fund performance

A review of your investment performance

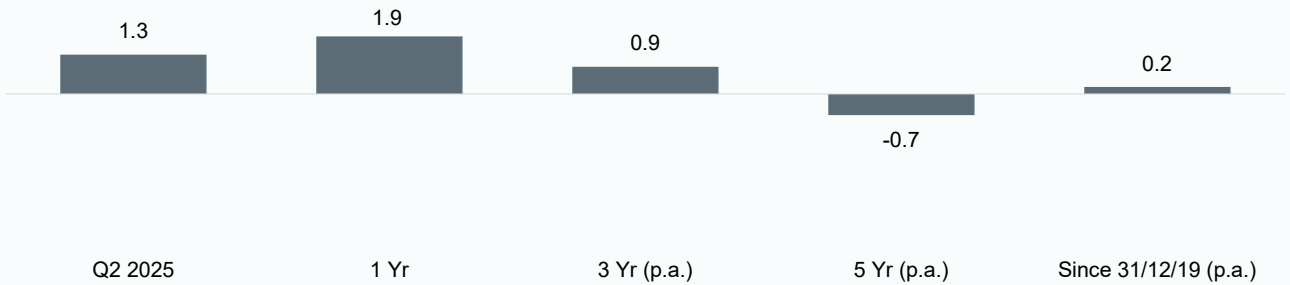


Total Fund performance – Snapshot

Fund performance & benchmark



Relative performance



Source: Northern Trust, Aon

Quarterly (relative)

1.3%

The Fund outperformed the benchmark returning 4.0% vs 2.7% over the quarter.

3 year (relative)

0.9% p.a.

Over 3 years the Fund has overperformed the benchmark returning 6.4% p.a. vs 5.5% p.a.

Comments

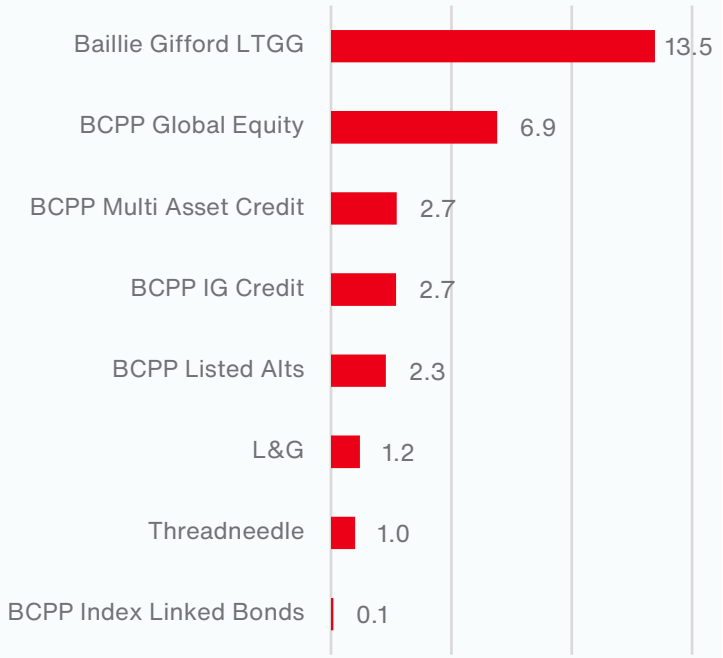
Total Fund performance is ahead of the composite benchmark over the quarter, 1 year and 3 year periods and behind over the 5 year period to 30 June 2025.

Note the 5 year performance is impacted by elevated volatility and challenging markets conditions over the 2020s which has included the Covid-19 pandemic, elevated inflation levels, and increased geopolitical tensions.

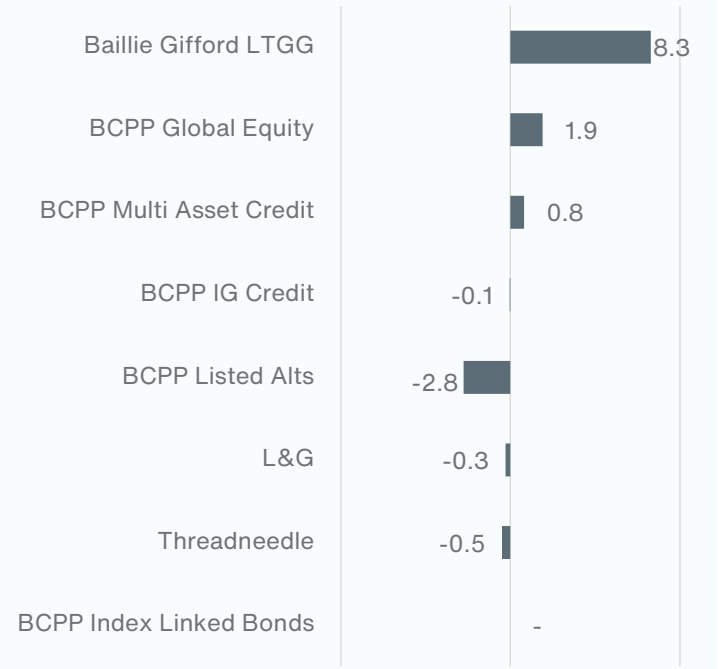
The performance figure since 31/12/19 is provided to illustrate how the Fund has performed over the entire period, including both before and after major market events in the 2020s. This allows for a more comprehensive assessment of long-term performance and the impact of significant market changes.

Manager performance – Quarter Snapshot

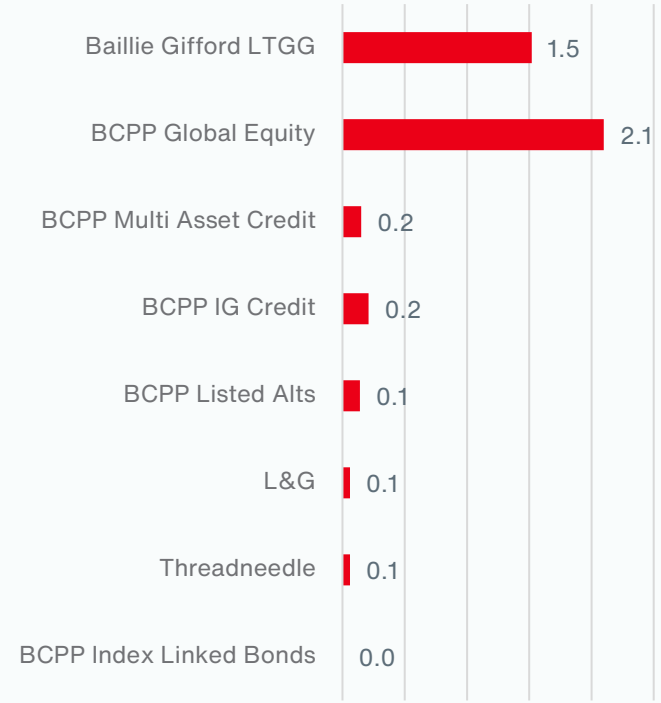
Absolute performance



Relative performance



Contribution to absolute return



Source: Northern Trust, Managers, Aon.
Note: L&G, Threadneedle; MSCI data was used for fund performance and benchmarking purposes, total Fund performance calculated using Northern Trust data.

Manager performance – Longer term

		1 Year (%)			3 Years (% p.a.)			5 Years (% p.a.)			Since 31/12/19 (% p.a.)			Since inception			
	Q2 25 asset allocation	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Inception date
Equity																	
Global Equity																	
BCPP Global Equity	**30.4%**	8.3	7.2	1.1	13.3	12.7	0.6	11.9	11.5	0.4	9.8	10.5	-0.7	10.3	10.9	-0.6	Oct-19
Baillie Gifford LTGG	**11.2%**	16.5	7.8	8.6	19.4	13.2	6.2	7.7	11.8	-4.1	15.1	10.8	4.3	15.0	9.8	5.2	Sep-06
Property																	
L&G	**1.0%**	6.9	6.8	0.1	-3.2	-4.1	0.9	3.8	3.4	0.4	-	-	-	-	-	-	Dec-12
Threadneedle	**5.0%**	5.8	6.8	-1.0	-3.9	-4.1	0.2	3.6	3.4	0.2	-	-	-	-	-	-	Jun-12
Infrastructure																	
BCPP Listed Alts	**6.0%**	8.4	7.2	1.3	6.2	12.7	-6.5	-	-	-	-	-	-	3.6	8.7	-5.0	Feb-22
Investment grade credit																	
BCPP Investment Grade Credit	**7.7%**	5.6	5.3	0.3	3.3	2.5	0.8	-	-	-	-	-	-	-0.3	-1.3	1.0	Aug-20
Non-investment grade credit																	
BCPP Multi-Asset Credit	**5.4%**	9.3	8.3	1.0	8.2	7.9	0.3	-	-	-	-	-	-	2.8	7.2	-4.4	Nov-21
Gilts																	
BCPP Index Linked Bonds	**16.6%**	-11.5	-11.7	0.2	-15.1	-15.3	0.2	-	-	-	-	-	-	-15.1	-15.8	0.7	Oct-20
Total		**6.2**	**4.3**	**1.9**	**6.4**	**5.5**	**0.9**	**3.8**	**4.5**	**-0.7**	**4.8**	**4.6**	**0.2**	**7.0**	**7.2**	**-0.2**	**Jan-02**

Source: Northern Trust, Managers, Aon. Numbers may not sum due to rounding.
Note: L&G, Threadneedle; MSCI data was used fund performance and benchmarking purposes.

Border to Coast Pensions Partnership – Private Markets Performance Summary

BCPP Infrastructure

Fund	Q2 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A	**98.7%**	**92.0%**	**29.4%**	**7.7%**	**1.23x**
Series 1B	**98.7%**	**80.5%**	**6.8%**	**3.6%**	**1.08x**
Series 1C	**100.0%**	**90.9%**	**15.2%**	**9.0%**	**1.23x**
Series 2A	**99.7%**	**59.7%**	**4.7%**	-	-
Series 2B	**99.9%**	**35.7%**	**0.3%**	-	-
Series 2C	**100.0%**	**25.6%**	**1.0%**	-	-
Series 3A	**37.8%**	**20.8%**	**0.0%**	-	-

BCPP Private Credit

Fund	Q2 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A/B	**99.5%**	**96.3%**	**40.6%**	**10.0%**	**1.24x**
Series 1C	**99.5%**	**88.1%**	**33.2%**	**10.1%**	**1.16x**
Series 2A	**100.0%**	**54.0%**	**7.1%**	-	-
Series 2B	**99.1%**	**26.5%**	**3.2%**	-	-
Series 2C	**100%**	**12.9%**	**0.0%**	-	-
Series 3A	**0.0%**	**0.0%**	**0.0%**	-	-

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 March 2025

Border to Coast Pensions Partnership – Private Markets Performance Summary (cont.)

BCPP Climate Opportunities

Fund	Q2 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR	TVPI
Climate Opps Series 1 (Series 2A/B)	**99.9%**	**56.4%**	**7.2%**	-	-
Climate Opps Series 2 (Series 2C)	**41.4%**	**26.0%**	**0.2%**	-	-

BCPP UK Opportunities

Fund	Q2 2025 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR	TVPI
UK Opps (Series 1)	**31.5%**	**42.9%**	**0.0%**	-	-

Source: BCPP. [1]Includes recallable distributions.

Border to Coast Pensions Partnership – Private Markets Commitments Summary

Strategy	Total NYPF Commitments									
	Series 1	1A	1B	1C	Series 2	2A	2B	2C	Series 3	3A
Private Credit	£195m	£75m		£120m	£210m	£70m	£70m	£70m	£220m	£220m
Infrastructure	£320m	£70m	£50m	£200m	£360m	£120m	£120m	£120m	£80m	£80m
Climate Opportunities	N/A	N/A			£260m	£140m		£120m	N/A	N/A
UK Opportunities	N/A	N/A			£50m	N/A		£50m	N/A	N/A

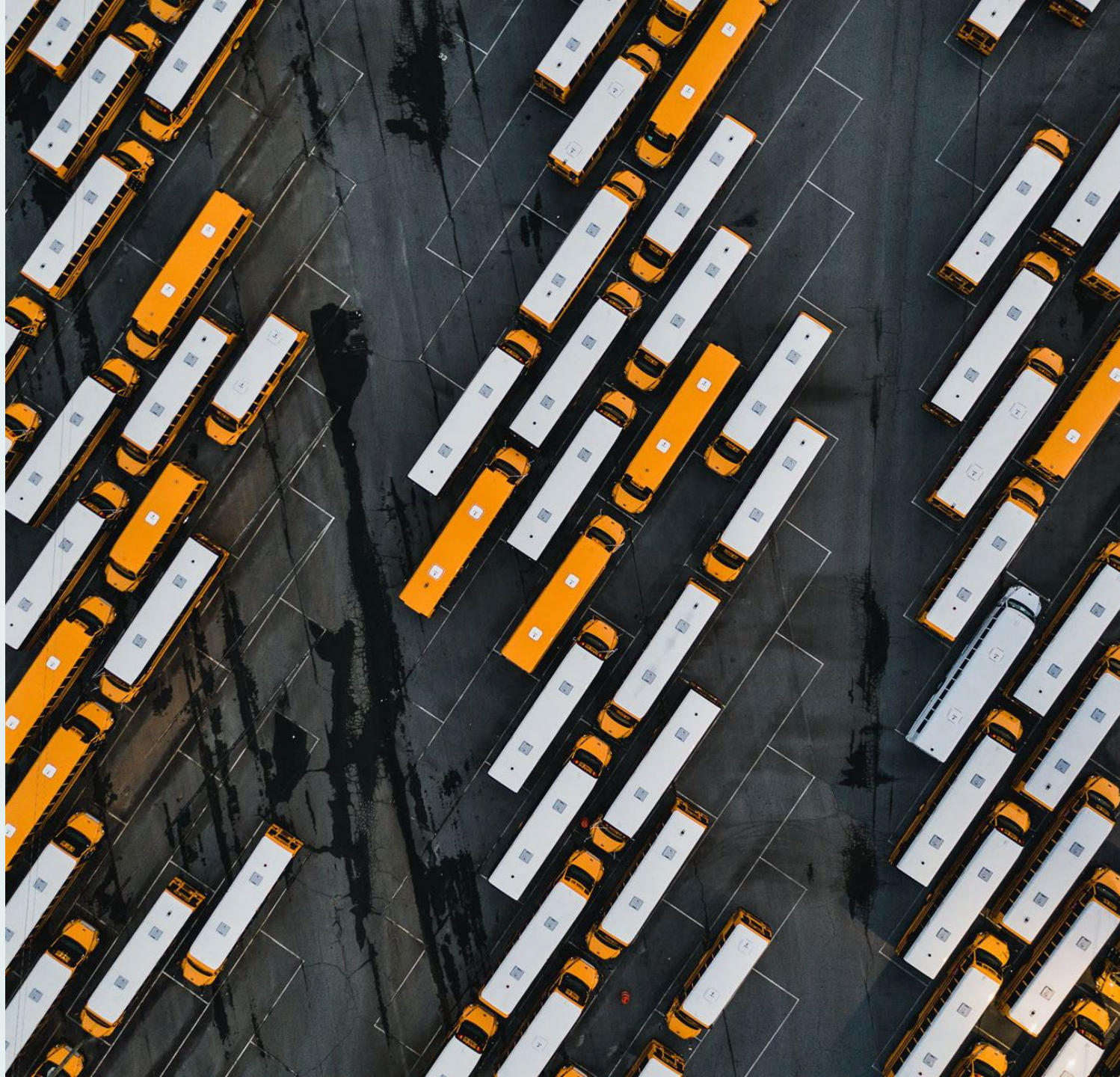
UK Real Estate - £37.49m committed on 30 June 2025

Source: BCPP, Aon, 30 June 2025.

5

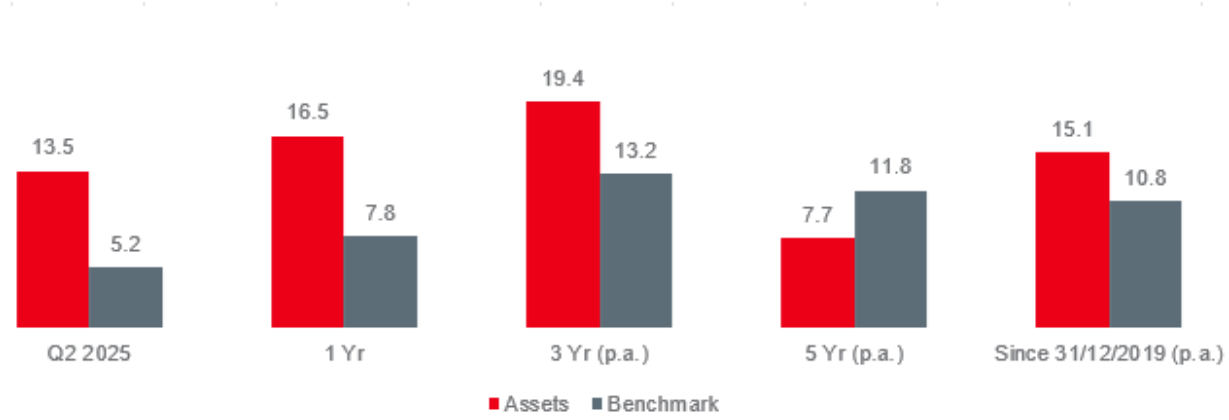
Manager review

Aon ratings and understanding manager performance



Baillie Gifford - LTGG

Fund performance & benchmark



Performance

- The strategy outperformed over the second quarter.
- The largest contributors to performance were Cloudflare, Roblox, and Netflix.
- Cloudflare delivered strong returns as it continued to expand its global network and secure major enterprise contracts. Strategic acquisitions and key executive hires further strengthened its position in internet infrastructure and cloud services.
- Roblox saw accelerated user growth and platform innovation, with daily active users rising over 25% year-on-year. New advertising initiatives and AI-driven creator tools supported enhanced monetisation and engagement.
- Netflix continued to dominate the streaming market, surpassing 300 million subscribers. International growth and adoption of ad-supported tiers, alongside disciplined cost management, contributed to significant margin expansion.
- The largest detractors to performance were Meituan, PDD Holdings, and Enphase Energy.

Buy
Reviewed: August 2025

Ratings detail

ODD:	A1 pass	**Risk:**	●●○○
Business:	●●●●	**Perf:**	●●●○
Staff:	●●●○	**Terms:**	●●●○
Process:	●●●○	**ESG:**	Integrated

Key Info

Appointed: 29 September 2006

Vehicle: Baillie Gifford Long Term Global Growth (+3% over 5-10yrs)

Mandate: Global Unconstrained Equities

Benchmark: FTSE All World Index from 31 March 2008

Target: To outperform the benchmark by 3% p.a. over rolling three-year periods.

Source: Fund Manager/Aon.

Baillie Gifford – LTGG (cont.)

Performance (cont.)

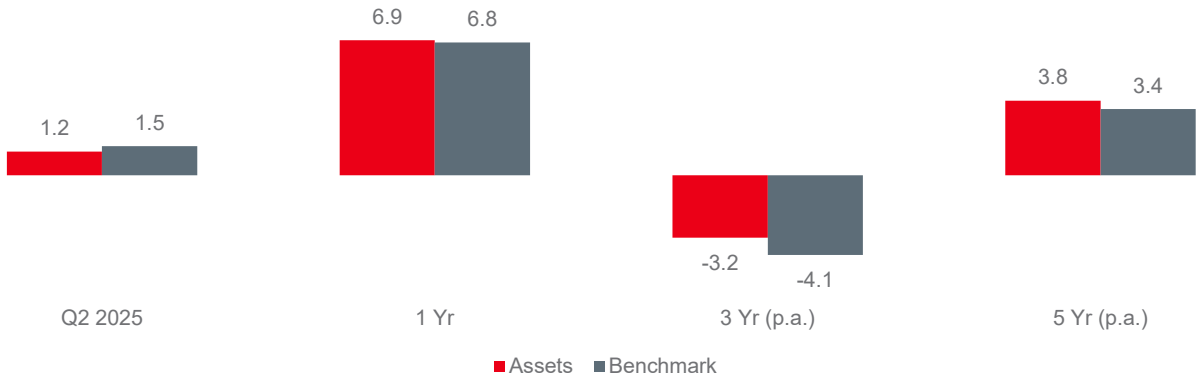
- Meituan's share price declined despite strong operational growth, as investor sentiment was dampened by competitive pressures in domestic food delivery and concerns around overseas investment.
- PDD Holdings faced headwinds following weaker-than-expected Q1 results. Profitability declined due to strategic investments and rising operating costs, while external factors such as US-China trade tensions impacted sentiment.
- Enphase Energy struggled with structural industry challenges, including high interest rates and shifting US solar incentives. Despite operational adaptability, these external pressures weighed on performance.

Positioning and Transactions

- During the period, the team sold Workday after more than a decade in the portfolio. The company's growth trajectory and positioning in AI fell short of expectations, prompting a reallocation of capital.
- A new position was initiated in Reddit. The team were attracted by its deep community engagement, monetisation potential, and early success in global markets via generative AI translation. Reddit's low base margins and scalable model present compelling upside potential.
- The strategy remains concentrated (39 holdings), with significant exposure to tech-related businesses and a continued focus on long-term growth opportunities.

LGIM – Managed Property Fund

Fund performance & benchmark



Buy
Reviewed: Q1 2025

Key Info

Appointed: 1 November 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: IPD All Balanced Property Fund Index

Target: To outperform the benchmark over three year rolling periods.

Monitoring comments (Q1 2025)

- As of Q1 2025, the fund was overweight to the alternatives (12.3% versus 12.0%) and residential (5.9% versus 1.5%) sectors and also maintained a strong cash position (7.6% versus 6.5%). In comparison with the benchmark, the fund has an underweight position to retail (18.2% versus 19.3%), offices (19.1% versus 19.4%) and industrials (36.8% versus 41.4%). Across the market, property returns during the quarter were 2.0%, led by retail at 2.4% and industrial at 2.2%. The fund delivered £14.8 million of asset management value in Q1 2025, from 21 transactions, spread across all sectors.
- Whilst remaining significantly below the benchmark, the fund's void increased to 10.8% due to two developments; West Cross, Brentford (industrials) and Woodside, Dunstable (industrials), which accounted for 1.5% of total void. Both developments are expected to reach practical completion within the next 12 months. However, the void was offset by two significant lettings; the newly refurbished Kingsland Industrial Estate, completed a 70,000sq ft letting, with the agreed rent 10% above the initial underwrite. Additionally, 20,000 sq ft was let at One Piccadilly Gardens, Manchester (office) to Mott MacDonald. Additionally, the fund completed on the refurbishment of 76 Wardour Street, London (office), quoting rent set at £115 per sq ft.

Source: MSCI data was used for fund performance and benchmarking purposes

LGIM – Managed Property Fund

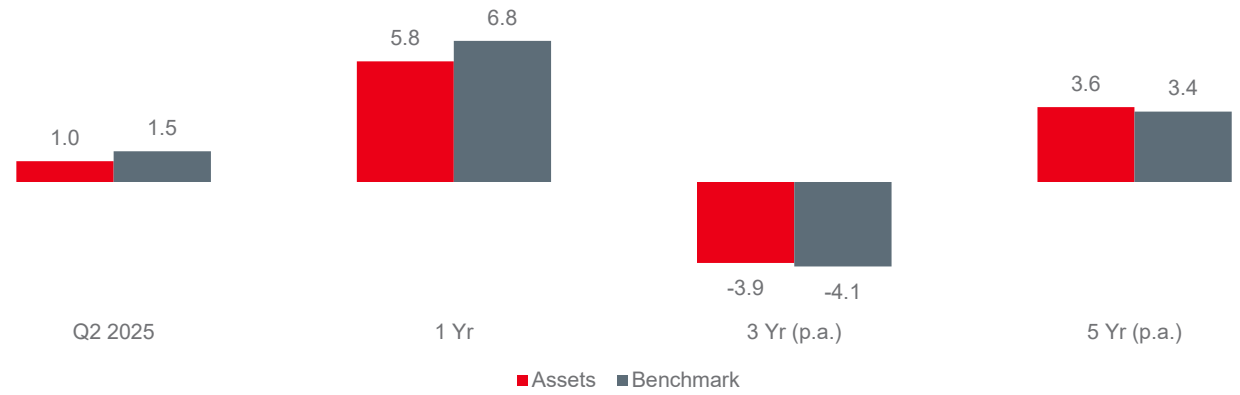
Monitoring comments (Q1 2025) – cont.

Transactions

- The fund remains highly active in the investment market, completing and exchanging on two acquisitions over the quarter. The fund completed on an industrial development site in Lichfield and exchanged contracts on an industrial site in Southampton. These schemes will be developed over the next 18 months, providing 340,000 sq ft of urban logistics accommodation, targeting EPC A+ and BREEAM ('Building Research Establishment Environmental Assessment Method') Excellent. The fund also exchanged on a hotel in Leeds, which is expected to complete in Q2 2025. The fund continues to be positioned to capture opportunities across the market, with a further £75 million either exchanged or under offer to acquire.
- The fund also completed on the sale of one retail asset over the quarter: George Henry Lee, Liverpool. The sale price was between £5-10 million. The rationale of the sale was following business plan completion and alignment with the fund's strategy of reducing the high street retail weighting. Furthermore, the fund is under offer or exchanged to dispose of five assets, where business plans are complete or no deemed accretive to future returns, the proceeds of which will be recycled into new opportunities.

Threadneedle – TPEN

Fund performance & benchmark



Buy
Reviewed: Q1 2025

Key Info

Appointed: 21 June 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: IPD All Balanced Property Fund Index

Target: To outperform the benchmark by 1 to 1.5%.

Monitoring comments (Q1 2025)

- The fund continues to have an overweight position to industrials, with 50.3% of the portfolio invested in the sector versus the benchmark at 41.4%. The fund remains marginally underweight to the retail sector at 18.7%, albeit with an overweight position to retail warehouses (15.5% versus 11.9%). The Manager believes this sector is set to outperform, benefitting from enduring structural tailwinds, including ongoing supply chain reconfiguration and the continued evolution of omnichannel retail.
- Extracting latent value through active asset management initiatives remains a critical focus for the fund. A total of 137 new lettings/lease renewals were successfully completed in the 12 months to the end of Q1 2025, with a combined rental value of c.£10.8 million per annum. Rent collection for Q1 2025 stands at 97.5%, declining marginally from the previous quarter (Q4 2024) where rent collection was c.98%. The fund continues to work with occupiers on a case-by-case basis to agree appropriate strategies for rent collection. As at the end of Q1 2025, the fund's liquidity position was c.£37.5 million, equivalent to c.2.8% of net asset value. The fund is currently targeting a number of strategic sales which will increase its liquidity in line with it's target of 10%.

Source: MSCI data was used for fund performance and benchmarking purposes

Threadneedle – TPEN

Monitoring comments (Q1 2025) – cont.

Transactions

- During the quarter, the fund made four strategic asset sales with an achieved total sales receipt of c.£22.4 million. The fund identified assets which offered limited future performance potential or where business plans have completed, and the fund had captured significant performance from previous asset management initiatives.
- The fund sold Quay Place, Birmingham (town centre offices) for c.£11.9 million, reflecting a net initial yield of 10.0%. The fund also disposed of Bridge House, Inverness (unit shop) for c.£4.8 million, reflecting a net initial yield of 8.5%. Additionally, the fund sold Cursitor Street, London (town centre offices) for c.£4.05 million, reflecting a net initial yield of 4.6%. The Manager believes that investment liquidity remains positive for smaller lot sizes from private/propco investors. Asset sales have focused on accelerating the disposal of the existing non-core programme (offices and high street retail), as well as capitalizing on residual market liquidity by disposing of select industrials and food stores.
- There were no asset acquisitions over the quarter.

BCPP – Quarterly high-level monitoring (Q2 2025)

Changes to views of External and Internal Managers

BCPP Global Equity Alpha

- Lindsell Train & Ninety-One Franchise: The managers were added to the watchlist on the 4 December 2024. The managers have underperformed over a prolonged period of time against both the primary and style benchmarks. The managers are being assessed as part of a holistic evaluation of the fund's exposure to quality managers.

Source: Aon, BCPP External Quarterly Reports (Global Equity Alpha Q2 2025)

Border to Coast Pensions Partnership – RI Quarterly Report Snapshot

Global Equity Alpha Fund

Fund	Q2 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Global Equity Alpha	29.7	6.7
Benchmark (MSCI ACWI)	108.5	6.6

Sterling Investment Grade Credit Fund

Fund	Q2 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Sterling Investment Grade Credit	50.5	7.4
Benchmark (iBoxx Sterling Non Gilt Index)	54.5	7.5

Listed Alternatives Fund

Fund	Q2 2025 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Listed Alternatives	154.8	7.2
Benchmark (MSCI ACWI)	108.5	6.6

[1]This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although Border to Coast information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form* and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

*In accordance with the Licence Agreement between Border to Coast Pensions Partnership Limited and MSCI ESG Research (UK) Limited

Source: BCPP/MSCI[1]

AON

6

Market outlook and Aon's favoured investment strategies

Forward looking views

Quarterly Investment Outlook – July 2025*

- Markets have been relatively sanguine about the uncertain trade and geopolitical environment. This has meant that financial conditions have remained relatively loose, and this reinforces our base case that a recession is avoided.
- However, we think it is unlikely that growth will be as fast in 2025 or 2026 as it was in 2024. The slower growth environment will make it hard for the earnings acceleration that analysts are expecting for public equities to be achieved. We think investors need to think widely about which risk assets will deliver attractive risk adjusted returns.
- The process for the next Fed Chair has started. If the winner is perceived as not being fully independent from the White House, market participants may become concerned, creating further dollar weakness and yield curve steepening.
- Gilt markets have made it clear that they want fiscal policy to be set by the Chancellor rather than Labour backbenchers. However, as the Office of Budget Responsibility's (OBR) latest fiscal risks and sustainability report makes clear, the UK's fiscal outlook is challenging at best. The reform agenda is stalling meaning that getting productivity growth up is tricky, making the funding of an ageing population difficult. With the OBR pointing out the "triple lock" on the state pension is far more expensive than originally envisaged, its future is in question. Without the government managing to force through expenditure reforms, higher taxes seem likely, but this could make the productivity performance of the UK even worse.
- Credit spreads remain tight within both investment grade and high yield bonds. The market though looks to be less discriminating, and we think that active management can enhance risk-adjusted returns relative to following a benchmark approach. We also encourage consideration of other types of credit rather than traditional corporate bonds.

Note: *The opinions referenced are as of the date of publication (17 July 2025) and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Aon's best ideas

Insurance-linked securities (ILS)

The prospective Sharpe ratio on ILS looks now to **be higher than on equities**, while relatively low correlation also enhances diversification benefits

Low-beta hedge funds

We believe that **some hedge funds add significant resilience to portfolios**. However, not all strategies are equally valuable, and **we prefer funds where we think correlations to equities will be low or negative** whilst delivering a significant pick-up over cash as summarised on the next pages.

Fund financing

Enables funds to lever up, smooth capital calls, and provide liquidity for underlying investors.

We continue to believe these offer attractive levels of risk-reward. Subscription line financing (borrowing secured on private fund commitments) has particularly low credit risk, as well as relatively short maturity.

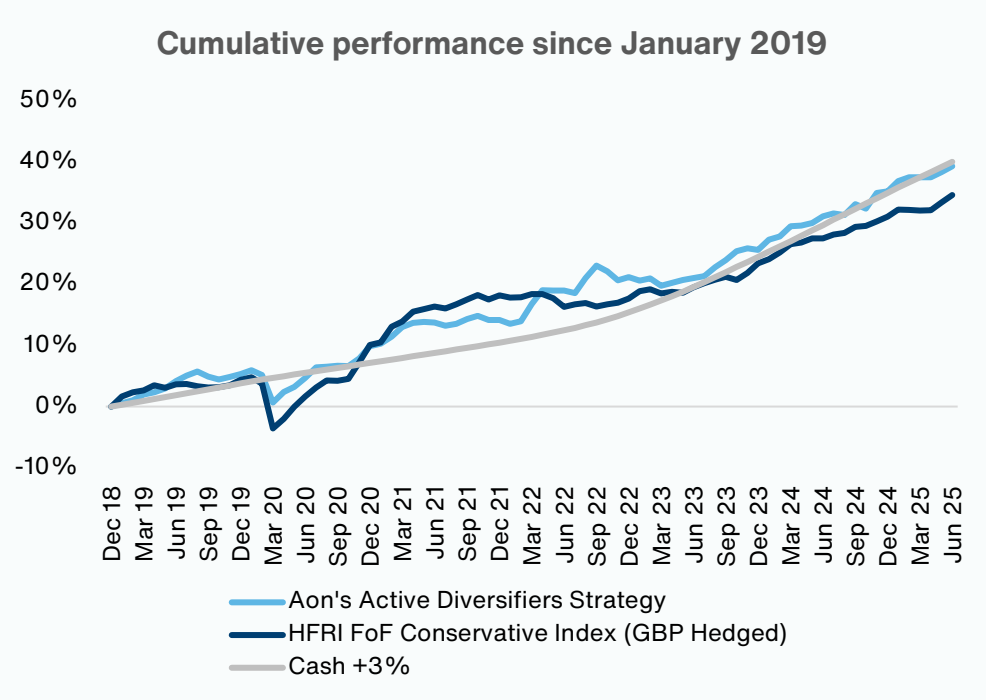
Bank capital relief/credit risk sharing/significant risk transfer

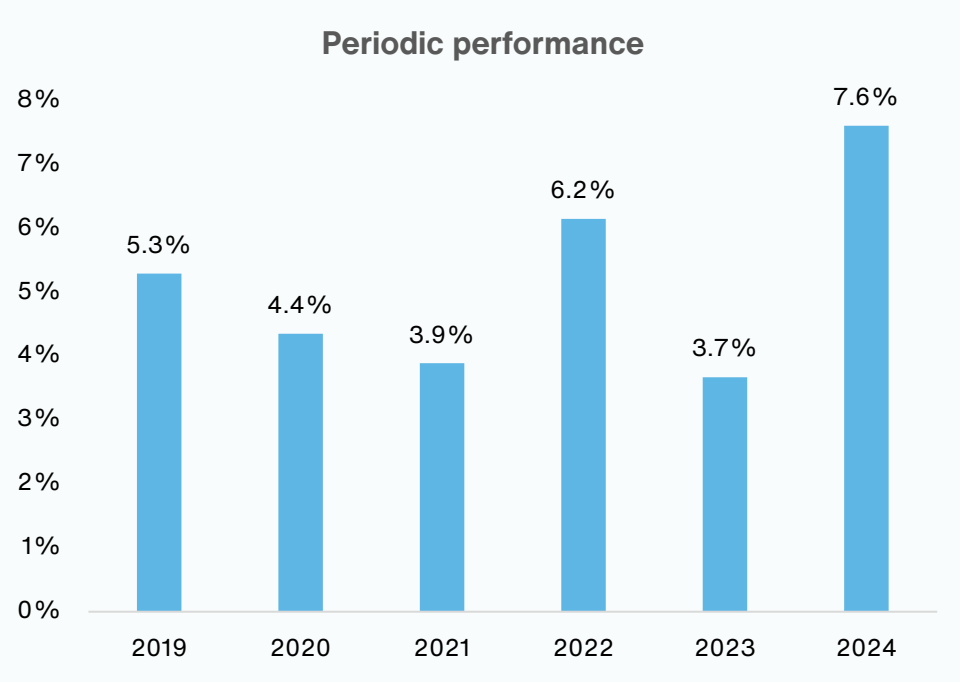
This strategy, involves banks transferring a subordinated part of their lending book to investors in order to gain regulatory capital relief.

Prospective returns look to be higher than the return on global equities, although there is exposure to macro-risks if any recession is much deeper than we expect.

Aon's Active Diversifiers Strategy

Diversification, downside protection and strong absolute returns (target cash +3%)



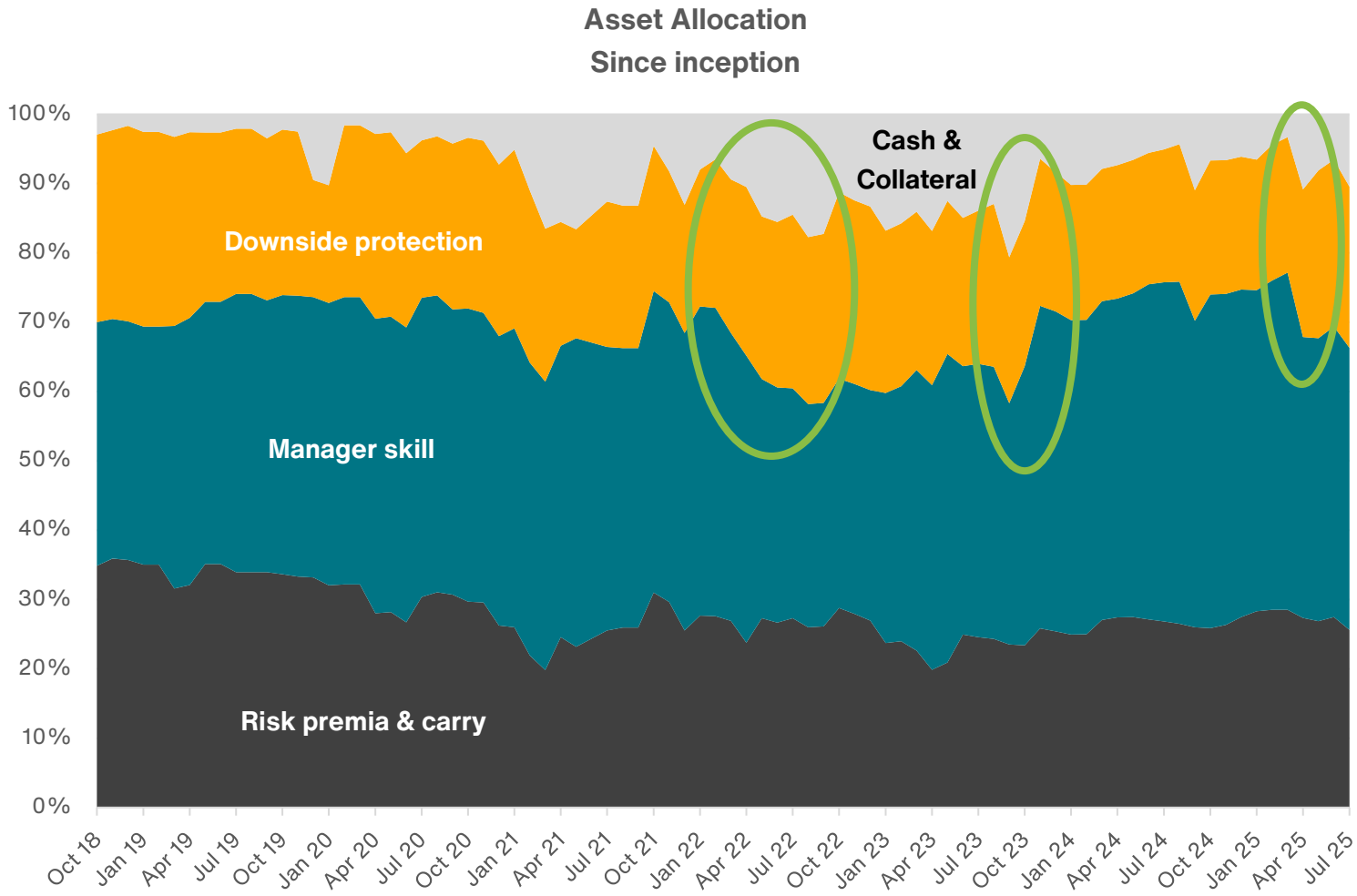


Since inception (p.a.)	Equity Beta*	Equity Correlation*	Credit Beta**	Credit Correlation**	Return	Volatility	Sharpe ratio
Active Diversifiers Strategy	0.06	27%	0.07	14%	4.6%	3.3%	0.7
HFRI FoF Conservative Index (GBP Hedged)	0.17	69%	0.29	50%	3.9%	3.9%	0.5

Source: Aon, BNY Mellon, HFRI, FactSet. Inception: 1 October 2018. Data as at 30 June 2025. Active Diversifiers Strategy's June 2025 returns are unaudited estimates. Strategy's returns are net of underlying manager fees and net of the 50bps Aon fee. Investment Grade Credit: ICE BofA Global Corporate Index hedged to GBP. Global Equities: MSCI World 100% Hedged to GBP Custom Index (Total Return). Cash: SONIA. *against the MSCI World 100% Hedged to GBP index. **against ICE BofA Global Corporate Index hedged to GBP. Beta is the degree to which a fund/index moves in relation to equity and credit markets, respectively. **Past performance is not an indicator of future performance. Please note: This document contains marketing material about an Aon Fund Solution. This document does not represent impartial advice on this Fund Solution.**

Aon's Active Diversifiers Strategy

Portfolio Construction Drives Performance



Downside protection 23%
Strong diversification benefits with a degree of downside protection by displaying a "convex" return profile

Manager skill 41%
Return stream which is largely driven by the managers' demonstrable skill in unique strategies

Risk premia & carry 26%
Derive returns from harvesting risk premia offered by the various markets and strategies

Source: Aon. Inception: 1 October 2018. As at 1 July 2025, remaining 10% in cash and collateral. Figures are subject to rounding. **Please note: This document contains marketing material about an Aon Fund Solution. This document does not represent impartial advice on this Fund Solution.**

Explanation of Ratings

Overall Ratings

Overall Ratings

An overall rating is then derived taking into account both the above outcomes for the product. The table lists how the overall rating can be interpreted.

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

Explanation of Ratings

ODD

Operational Due Diligence ("ODD")

The ODD factor is assigned a rating. The table below describes what these ratings mean.

Please note: Operational due diligence inputs provided to the research team by Aon's Operational Risk Solutions and Analytics Group (ORSA). ORSA is an independent entity from Aon Solutions UK Limited, Aon Hewitt Investment Consulting, Inc., and Aon Hewitt Inc./Aon Hewitt Investment Management Inc. Investment advice is provided by these Aon entities.

Overall ODD Rating	What does this mean?
A1 Pass	No material operational concerns – the firm's operations largely align with a well-controlled operating environment.
A2 Pass	The firm's operations largely align with a well-controlled operating environment, with limited exceptions – managers may be rated within this category due to resource limitations or where isolated areas do not align with best practice.
Conditional Pass ("CP")	Specific operational concerns noted that the firm has agreed to address in a reasonable timeframe; upon resolution, we will review the firm's rating.

Explanation of Ratings

Overall Ratings

ESG Factor

The ESG factor is assigned a rating and can be interpreted as follows:

Overall ESG Rating	What does this mean?
Advanced	The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
Integrated	The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.
Limited	The fund management team has taken limited steps to address ESG considerations in the portfolio.
Not Applicable	ESG risks and considerations are not applicable to this strategy, for example, on the grounds of materiality or asset class relevance

Risk/Return Assumptions

- The table to the right sets out the 10-year median returns and volatility assumptions in absolute terms used in the modelling.
- Assumptions are based on Aon's Capital Market Assumptions as at 30 June 2025
- Allocations modelled are those set out in the main body of this presentation. Allocations are assumed to be annually rebalanced.
- Allowance for active management is made in some of the assets classes, in particular where there is no real passive version of the asset, for example private equity funds.
- Unless stated otherwise, all returns are net of underlying manager fees.

High level asset class	Expected Return	Expected Volatility
Global equity	6.9%	19.1%
Property	6.6%	12.6%
Infrastructure	9.4%	16.4%
Listed alternatives	6.9%	19.1%
Climate opportunities	9.3%	16.3%
UK opportunities	8.4%	9.6%
Illiquid credit	7.8%	7.7%
Investment grade credit	5.8%	10.3%
Non-investment grade credit	6.5%	8.7%
Absolute Return	7.9%	5.3%
Gilts	4.8%	9.7%
Cash	4.0%	1.2%

Note: all statistics are 10 year median expected returns/volatility of returns.

Correlation Table

High level asset class	Global Equity	Property	Infrastructure	Listed Alternatives	Climate Opportunities	UK Opportunities	Illiquid credit	IG Credit	Non-IG Credit	Absolute Return	Gilts	Cash
Global Equity	100%	34%	61%	100%	62%	68%	19%	5%	51%	22%	-6%	-2%
Property		100%	18%	34%	18%	61%	18%	4%	25%	8%	-1%	6%
Infrastructure			100%	61%	100%	70%	9%	3%	21%	21%	-2%	0%
Listed Alternatives				100%	62%	68%	19%	5%	51%	22%	-6%	-2%
Climate opportunities					100%	71%	10%	3%	21%	21%	-2%	0%
UK opportunities						100%	36%	24%	42%	21%	3%	9%
Illiquid credit							100%	66%	62%	14%	4%	16%
IG Credit								100%	33%	17%	47%	37%
Non-IG Credit									100%	20%	1%	10%
Absolute Return										100%	9%	29%
Gilts											100%	30%
Cash												100%

Data and assumptions

Date of calculation	30 June 2025
Number of simulations	5000
Time horizon	10 years
Asset value	£ 4,886.3M

- Infrastructure is modelled as a blend of 37.5% EU and 62.5% US Infrastructure in line with BCPP's mandate.
- Listed Alternatives are modelled as passive global equities (including emerging markets).
- Climate Opportunities has been modelled as 60% US and 40% Euro Infrastructure.
- UK Opportunities has been modelled as 30% UK property, 30% Euro Infrastructure, 15% private equity, 15% direct lending and 10% UK corporate bonds (A-rated with average duration of 10 years)
- Private Credit modelled as combination of 2/3 Senior Direct Lending (for Arcmont and Permira) and 1/3 Whole Property Debt (for BCPP).
- Gilts are modelled as a 62.9% 15 year index-linked gilts and 37.1% 20 year index-linked gilts.
- Property is modelled as UK Property.
- Liquid IG Credit modelled as UK corporate bonds (A-rated with average duration of 10 years)
- Liquid Non-IG Credit modelled as high yield multi-asset credit.
- Absolute Return is modelled as Leadenhall Insurance Linked Securities modelled as an equal blend of Aggressive, Conservative and Moderate ILS.
- The Fund has an allocation to Global Equities which make up 39% of the long term allocation.
- For modelling purposes (and for consistency with the approach taken by the Actuary) we do not allow for any outperformance from active management (alpha).
- We have not allowed for the impact of equity protection on the risk and return of the portfolio
- Equities have been modelled as Passive Global Equity (including Emerging Markets) which reflects the current allocation.

Purpose, key assumptions and judgements of the model

The purpose of this analysis is to consider and monitor the return and risk characteristics of the current and long term investment strategy of the Fund. The key assumptions and judgements of the model are set out below and we believe are reasonable for the intended purpose.

- The calculation considers (5000 stochastic) simulations of annual absolute returns over the period modelled. The simulations are constructed using Aon's Stochastic Asset Model, further details and assumptions are outlined in this appendix.
- A liability proxy is not considered.
- Allocations are assumed to be annually rebalanced, in practice this may not always be possible for illiquid assets.
- The calculations do not take into account any cashflows payable.

Limitations

Material risks to the Fund include covenant, longevity, market, inflation, contributions, expenses and liquidity.

- Our stochastic scenarios include market risk only, and this risk is present in the distribution of returns and is reflected in the risk metrics shown. Market risk has been calculated on an asset only basis.
- This modelling does not cover liability basis, inflation, covenant, longevity, contributions, expenses and liquidity risk. When using the modelling analysis, the user should consider how these risks apply and whether they are material to the decisions under consideration.

There are other factors that could materially affect the Fund's funding and strategy decisions, or the exposure or realisation of the risks above:

- These other factors include external factors such as climate change or political, regulatory and legislative change.
- The general risk factors of economic or technological change are reflected in our economic assumptions and the prevalence of extreme events in our economic model, but not all specific risks can be captured (e.g. disruptions to the financial system, or technological change leading to improvements in longevity).
- There are other risks to which the Fund is exposed that we assume are not material to long-term funding and investment strategy decisions, such as timing of member options or operational risks

Limitations (continued)

There are necessarily some limitations associated with the stochastic scenarios calibrated to Aon's Capital Market Assumptions used for asset-liability modelling.

- CMAs and asset-liability modelling. Asset-liability projections rely on views of the future and whilst median projections are our Aon-house views (intended to reflect no bias), we do not know what will materialise in practice (for example it cannot be predicted exactly how the equity market and bond market will develop over the next year). To help build up a more complete picture of possible outcomes, we project assets and liabilities stochastically with the aim of capturing the uncertainty associated with the projections. This approach is designed to be coherent with each asset being calibrated to target a CMA median return, volatility and set of interdependencies (correlations) assumptions. Nevertheless, there remain some limitations, including but not limited to those set out below.
- Whilst Aon's CMA assumptions are supported by historical data, current financial market prices and expert views there are necessary some limitations in the analysis, including, but not limited to, the following:
  - Long-term versus short-term. The stochastic scenario calibration primarily seeks to capture a realistic long-term distribution of outcomes but is also mindful of short-term risk behaviours. These, sometimes competing, objectives can lead to some trade-offs within stochastic scenario calibration and the requirement for significant expert judgement. Where significant focus is applied to an individual asset class, particularly for more extreme outcomes, the user should bear this limitation in mind, and/or may wish to consider the use of deterministic scenarios.
  - Only 5,000 scenarios are produced. There is necessarily a trade-off between running more scenarios and spurious accuracy. Notably as you approach extreme tails, i.e., 1-200 this is an area of the distributions where there is insufficient market information to apply rigorous statistical analysis to explicitly calibrate models to, as such seeking to define the model outcome with a high degree of confidence is to some extent spurious and will be heavily driven by model selection.
  - Data used for the CMAs may be limited and/or be subject to interpretation for relevance today. The issues that arise from a lack of or poor historical data may be compounded by changing context. For example, for part of the last 100 years the UK was either on the gold standard or a quasi-gold standard, which is a very different economic framework than floating currencies. This obviously creates significant issues for the relevance of any cash rate and bond yield data.
  - Defined randomness rather than chaotic behaviour. The model, by necessity, assumes an underlying distribution of returns and yields. This presumes the underlying asset returns are random in nature rather than deterministic and chaotic. In a deterministic and/or chaotic framework the concept of a 1-in-X event has no meaning and so is not used in this modelling.
  - Some extreme events are not modelled. Our model is built on the premise that the current monetary and political framework will continue and presumes that there will not be a breakdown of civil order, a major natural disaster, UK government default or a significant global armed conflict. We view these risks as being outside the typical use case, however where very extreme scenarios are considered these may be relevant and should be addressed through deterministic scenario analysis.
  - Unknown unknowns. The model deals with known risks and therefore does not allow for "black swan events" or "unknown unknowns", while our model does have fat tails, it is not possible to fully allow for these types of unknown risks.
  - Volatilities and correlations. Volatility and the correlation of assets are only observable after the fact and can change over time. Within the stochastic scenario calibration, volatility and correlations vary for each of 5,000 scenarios, with the distribution of outcomes largely a function of the chosen economic models and the median long-term volatility and correlation targets. Some correlation behaviour is introduced in the tails e.g., large equity falls with more downward credit transitions.

Capital Market Assumptions

Aon's Capital Market Assumptions (CMAs) are our asset class return, volatility, and correlation assumptions. The return assumptions are "best estimates" of annualised returns. Below we set out the key features and approach taken in setting these assumptions.

- Aon’s CMAs. Market risk is the primary risk considered as part of the CMA setting process.
  - The return assumptions are Aon’s “best estimate” returns, with the uncertainty around the expected return represented by the volatility (annualised standard deviation of returns over the projection period) assumptions. Correlation assumptions allow for the interconnectedness of the risks facing different asset classes.
  - By ‘best estimate’ we specifically refer to the median annualised return. That is, there is a 50/50 chance that outcomes will be above or below the assumptions.
  - Assumptions are set by Aon's Global Asset Allocation Team and represent the long-term (10 and 30 year) market outlook.
  - Our long-term assumptions are based on historical results, current market characteristics, our professional judgment, and forward-looking consensus views.
- Consideration of other approaches. Alternative approaches include using generalized global models, such as the Capital Asset Pricing Model (CAPM) or a fixed risk premia approach, but we believe these approaches over-simplify the analysis and do not capture as much of the intricacies around each asset class.
- Climate risks. We consider the impacts of climate change when setting our assumptions. Making direct adjustments is challenging and subject to a high degree of subjectivity, as climate change effects are extremely ‘non-linear’. Aon’s capital market assumptions (CMAs) are based on long-term consensus views of what is priced into the market, and therefore indirectly capture the climate risk that is currently captured in current market conditions. A separate range of deterministic scenarios focusing on climate change scenarios can be used to inform and help aid decisions.
- Other risks. The effects of other internal or external environmental factors, such as technological, economic, political and geopolitical, regulatory and legislative changes, are also indirectly captured, in consensus views on the economic outlook and market pricing, which feed into our return assumptions.

Aon's Stochastic Scenario Generator (SSG) Model

Aon's Stochastic Scenario Generator (SSG) Model is a set of 5,000 stochastic scenarios, calibrated quarterly to Aon's Capital Market Assumptions. These stochastic scenarios can be used to evaluate the risk and return characteristics of a Fund's assets versus its liabilities.

Asset-liability modelling

- Stochastic scenarios. Aon's Capital Market Assumptions CMAs are used as targets to calibrate a set (typically 5,000) of stochastic scenarios for each economic variable. This allows us to perform stochastic asset-liability studies i.e. project portfolios of assets and liabilities many times into the future, building up a coherent picture of possible outcomes. Allowing for the interactions of asset and liabilities stochastically impacts median outcomes and enables percentile outcomes and probabilistic metrics to be considered.
- Consistent framework. All the major markets and asset classes are modelled within a consistent framework allowing for the interactions between them to be properly taken into account.
- Model choice. When setting assumptions, we have opted to use different economic models for different asset classes (listed on this slide), as we believe this would be the best way to capture the specific characteristics associated with each asset class.

Key economic models used

- Nominal yields are modelled using an extended displaced Black-Karasinski model, which enables us to model full yield curves. Yields are positively skewed, and the model can fit the starting curve. In the current calibration, average nominal yields are assumed to broadly follow the market for the first c.20 years of the projections.
- Real yields are modelled using a Hull-White model, this enables us to model unbounded full yield curves. The model can fit the starting curve. In the current calibration, average real yields are assumed to broadly follow the market for the first c.20 years of the projections
- Inflation is taken as the difference between nominal and real short rates, and the positive skew of the nominal yield model ensures realised inflation is positively skewed. For realised inflation a 'surprise' element is allowed for making inflation more volatile that purely predicted by the short rates.
- Investment grade corporate bonds are modelled using an extended Jarrow-Lando-Turnbull framework which assumes bonds can be modelled based on their credit rating and anticipated cashflows. This ensures positive credit spreads with positive skew and ratings transitions which broadly reflect historically observed transitions.
- Return-seeking assets are modelled using exposures to factors, where each factor can contain stochastic volatility and/or jump diffusion process. This gives the flexibility to capture more complex tail behaviour than is typically observed in simpler log-normal models.
- Other assets generally use outputs from the models above and exposure to some degree of idiosyncratic element in order to capture desired properties for the asset being considered.

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TAS Compliance

This document has been prepared in accordance with the framework set out below

This document, and the work relating to it, complies with 'Technical Actuarial Standard 100: General Actuarial Standards' ('TAS 100').

The compliance is on the basis that North Yorkshire Pension Fund are the addressees and the only users and that the document is only to be used for the purpose of monitoring portfolio expected return and asset only risk. If you intend to make any other decisions after reviewing this document, please let me know and I will consider what further information I need to provide to help you make those decisions.

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Third Party Disclaimers

Page 1

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Page 2

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Page 3

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Page 4

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