TT INTERNATIONAL

Q1 2022

TT ENVIRONMENTAL SOLUTIONS FUND

Fund Performance

	Fund	MSCI AC World
Q1	-11.5	-5.3
1 Year	-1.4	7.7
Inc (Ann.)	48.3	24.2

Returns are gross of fees in USD

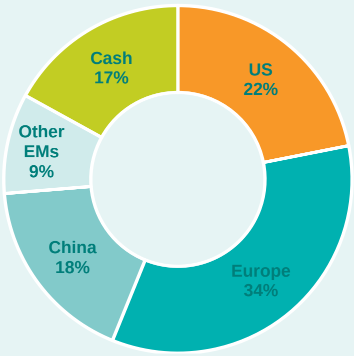
Fund Value (USD mil) 70

Inception 12/05/20

Top Five Securities %

China Three Gorges	China	5.2
Terna	Italy	5.1
Omega Energia	Brazil	4.5
EDP Renovaveis	Portugal	4.0
Knorr-Bremse	Germany	3.9

Regional Positioning



Charitable Contributions

Total contribution since inception USD:

2020	**20,794**
2021	**163,592**
2022 YTD	**55,970**

Performance

Global equities sold off as Russia invaded Ukraine, sending commodity prices soaring. The fund saw a negative absolute return, underperforming its benchmark. It remains significantly ahead of its benchmark since inception.

Outlook and positioning

It has been a tumultuous first quarter for equity markets, with Russia committing the biggest act of aggression on European soil since the Second World War. As Lenin famously remarked: “There are decades where nothing happens; and there are weeks where decades happen.” Russia’s invasion of Ukraine has turbocharged the spike in commodity prices across the board and already appears to have catalysed a momentous shift in global energy policy. This should see a doubling down on the green transition as the West looks to wean itself off Russian energy.

The inflation genie may finally be out of the bottle, with central banks scrambling to shift their monetary policy stance in an attempt to regain control. Recessionary indicators are flashing red, most notably the inversion of the US 2y-10y yield curve, and there is a growing risk that central banks commit a policy error by overtightening. With so many powerful crosscurrents battering investors, equity market volatility is likely to remain elevated in the near-term. Against this backdrop, we have been positioning the fund more defensively, reducing beta and raising cash. This is ultimately to give us dry powder to deploy when we find stocks that we believe have strong long-term growth opportunities, but which have become overly discounted in the present volatility.

Over the quarter we cut exposure to US housing as rising construction costs and mortgage rates may begin to crimp demand. Consequently, positions in Installed Building Products, Weyerhauser and Owens Corning were all reduced. We also sold some of the fund’s most energy intensive companies such as Rockwool. For similar reasons, the position in Smurfit Kappa was reduced as its energy costs are rising.

We also took advantage of recent strength to exit our carbon position. Ultimately demand for carbon credits is linked to European GDP, which is likely to slow this year. Likewise, we sold or reduced positions that had held up well, despite a more challenging outlook. Examples include Yunnan Energy, Delta Electronics and ON Semi.

Some of the proceeds from the aforementioned sales were used to increase our ‘defensive growth’ positions such as Chinese grid equipment provider Nari, which was dragged down by general weakness in the Chinese equity market. Just after quarter end we also bought a large position in Greencoat Renewables. It has a portfolio of generating assets with an attractive running yield of 5.5%, very strong downside protection and upside gearing to inflation and power prices.

Another purchase was Befesa, which processes steel dust, a hazardous byproduct of electric arc steel production, and recycles zinc contained within the steel dust. This process has strong economic and environmental value. Electric arc furnaces are far more energy efficient than making primary steel. They account for 44% and 70% of the market in Europe and the US, respectively, but just 10% in China. The latter is keen to decarbonise its steel industry and therefore aims to increase the penetration of electric arc furnaces significantly over the coming years. Befesa will be a key beneficiary of this trend, and also has positive exposure to commodities as it makes a significant proportion of its revenue from selling the recycled zinc as well as recycled aluminium.

Finally, we bought water treatment company Evoqua. The Biden administration is looking to implement more stringent regulation targeting PFAS chemicals – so called “forever chemicals” – that infiltrate water supplies. Evoqua has a high market share in PFAS treatments and should therefore be a major beneficiary.

Stock Focus

Terna Group

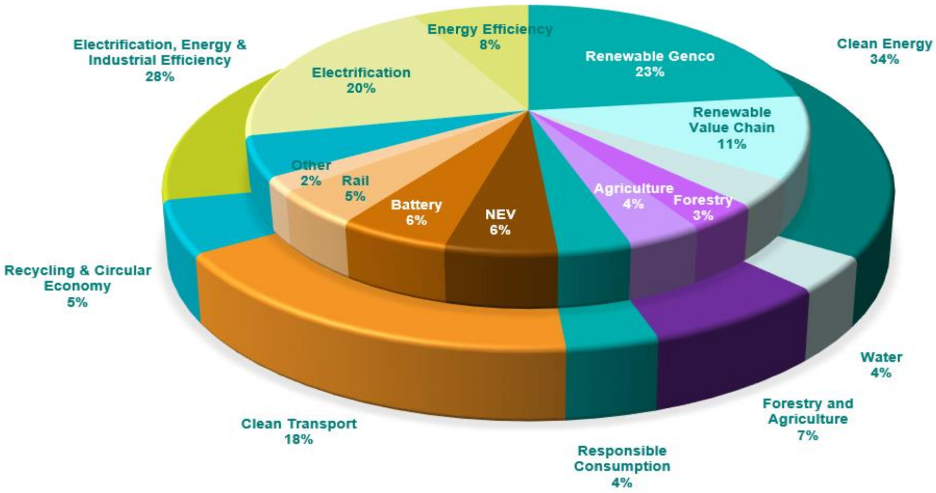
Terna Group is a national grid operator in Italy. We recently bought a position on the basis that it is highly defensive, but also has a strong growth outlook at visible and attractive returns. Under Italy’s new regulatory framework, it will grow its Regulatory Asset Base by at least 7% per annum out to 2025, with clear visibility on the allowable return, which also offers protection against inflation and rates as its returns are effectively recalibrated each year. The recent capital markets day added conviction to the thesis, and the shares have begun to perform well since we established our position.

NIU Technologies

NIU designs, manufactures and sells high-performance electric motorcycles, scooters, bicycles and kick-scooters. The shares struggled on general Chinese ADR concerns, as well as the announcement of results where margins slightly underwhelmed due to input cost pressures. We believe the growth outlook remains strong and that margin pressure has peaked. From a valuation point of view the stock is trading on just 10x 2023 earnings, despite the fact that the business is expected to continue to have a very strong growth outlook. We have added to the position on weakness.

Portfolio Thematics and Performance

Here we show portfolio thematic exposure and the major drivers of performance over the quarter.



Themes

- In the wake of Russia's invasion, the green transition has morphed from an environmental issue into a foreign policy one. Consequently, the conflict will likely accelerate the shift towards clean energy. This makes us more constructive on renewables – both the gencos and the supply chains – as well as energy storage. We own multiple names in these areas, including Omega, EDPR, Terna Energy, Stem and Pylon.
- For similar reasons we are also increasingly positive on the theme of electrification. In anticipation of higher grid investment we own Terna Group, Nari, and electric cable manufacturer Nexans.

Performance

- The fund saw a negative absolute return, with outperformance in the US overshadowed by underperformance in Emerging Markets and Europe.
- Our renewable genco positions Omega, EDPR and Terna Energy performed well as they benefit from higher power prices. More generally, stocks such as these that have visible growth that isn't macro dependent are now being re-rated by investors.
- Similarly, 'defensive growth' companies such as US-listed solar inverter producer SolarEdge attracted investors, given the increasingly challenging macro backdrop.
- NIU Technologies struggled on general Chinese ADR concerns, as well as the announcement of results where margins slightly underwhelmed due to input cost pressures. Other names such as China Three Gorges were also caught up in the largely indiscriminate Chinese sell-off.
- German rail parts supplier Knorr-Bremse fell on speculation of energy rationing for German heavy industry, which is very reliant on Russian gas.
- Many of the fund's detractors including Pylon and Installed Building Products were companies where investors had concerns over input cost pressure.

Major Winners and Losers (Held Stocks Only)

	Stock	Country	Management Effect (%)
Top Contributors	Omega Energia	Brazil	0.63
	EDP Renovaveis	Portugal	0.50
	Terna Energy	Greece	0.46
	Terna Group	Italy	0.41
	Solaredge Technologies	United States	0.39
Top Detractors	Niu Technologies	China	-1.31
	China Three Gorges	China	-0.88
	Pylon Technologies	China	-0.86
	Knorr-Bremse	Germany	-0.77
	Installed Building Products	United States	-0.69

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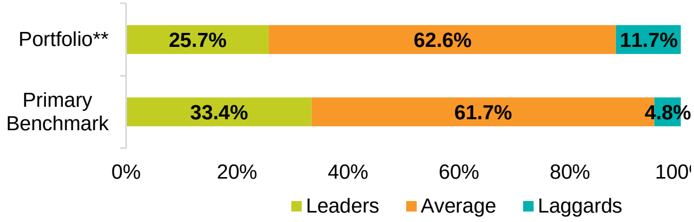
TT Environmental Solutions ESG Dashboard

Carbon Footprint and Avoided Emissions

	TT ESF	MSCI ACWI	Portfolio vs Benchmark
Carbon footprint (CO2t per $1m invested)	41	81	**-50%**
Carbon intensity (CO2t per $1m sales)	112	191	**-41%**
Coverage including cash	**95.9%**	**99.9%**	

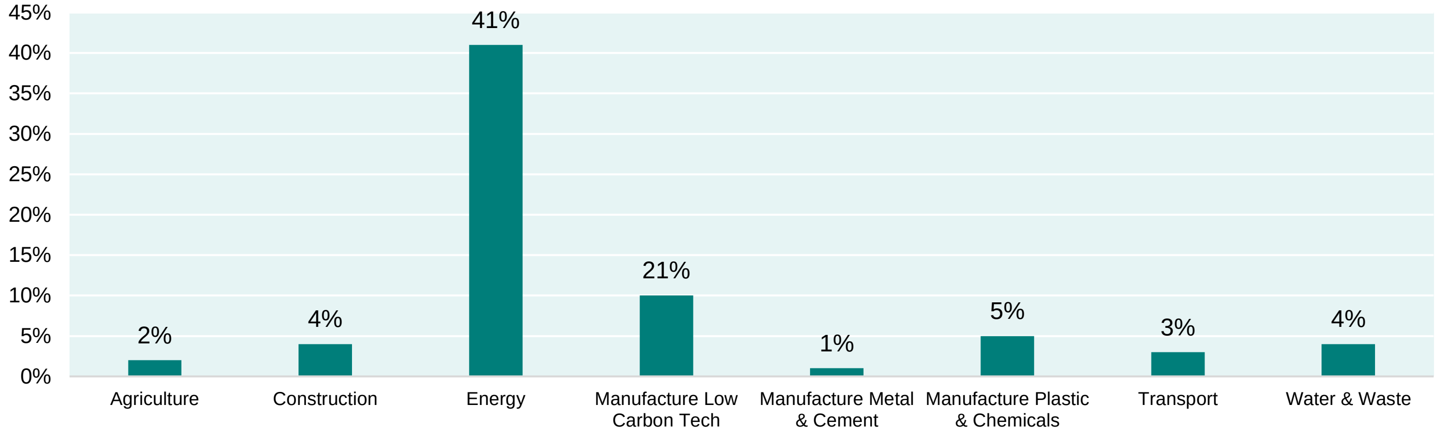
Our portfolio's avoided carbon emissions as disclosed by the investee companies is 23.2x its carbon footprint*

MSCI ESG Ratings Distribution

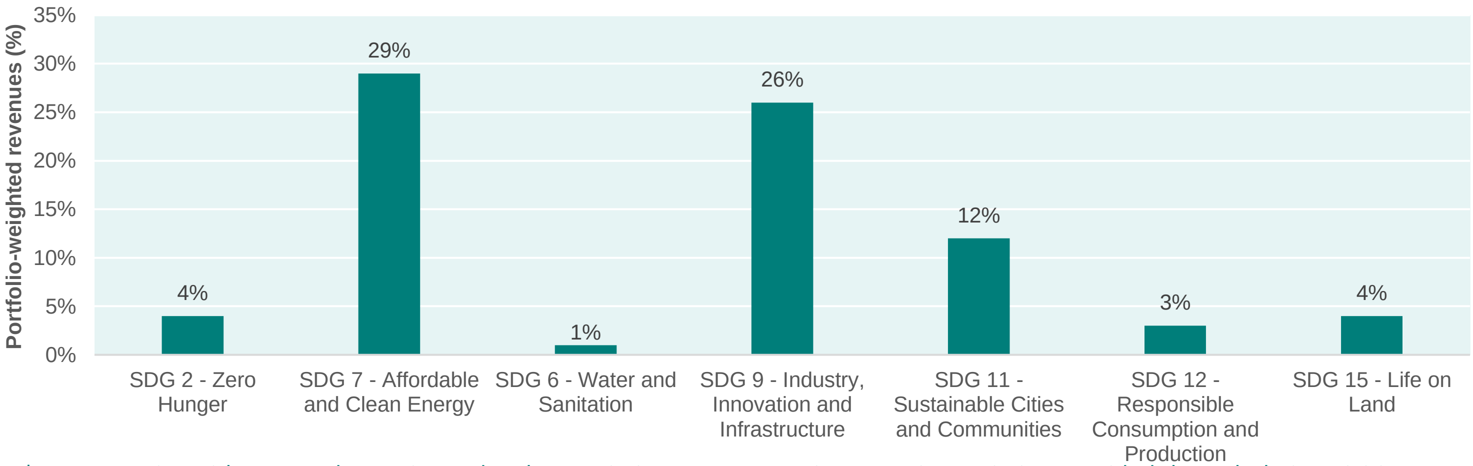


	Portfolio	Primary Benchmark
Weighted Avg. ESG Score	**6.03**	**6.41**

EU Taxonomy-Eligible Revenues



SDG-Aligned Revenues of our Portfolio



*40 companies with reported or estimated carbon emissions, 19 companies reporting emissions avoided through their activities.

**11 companies not covered by MSCI ESG ratings.