TT INTERNATIONAL

Q2 2021

TT ENVIRONMENTAL SOLUTIONS FUND

Fund Performance

	Fund
Q2	10.0
YTD	19.3
1 Year	101.1
Inception	134.8

Returns are gross of fees in USD

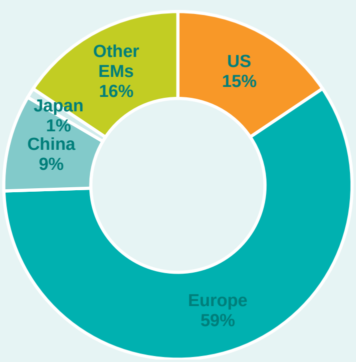
Fund Value (USD mil)	53.5

Inception 12/05/20

Top Five Securities %

Delta Electronics	Taiwan	4.6
Weyerhaeuser Co	US	4.2
Smurfit Kappa Group	UK	4.1
Terna Energy	Greece	4.0
Omega Geracao	Brazil	3.9

Regional Positioning



Charitable Contributions

Total contribution since inception USD:

Woodland Trust	**30,591**
Heal	**30,591**

The strategy aims to generate strong long-term returns by investing in the leading global structural growth theme – the green transition. It is a pure environmental strategy: all investee companies must produce products or services that tackle an environmental problem. The fund aims to have at least 80% of invested capital in companies where environmental solutions account for >50% of revenues or profits. It also has a direct environmental impact as one-third of all management fees are donated to several carefully selected environmental charities. The strategy has a world-class team of analysts covering both Developed and Emerging Markets, and uses a Research Advisory Board of leading academics and policymakers to challenge, inform, advise and connect. The investment process is based on rigorous fundamental stock selection within an environmentally driven top-down framework.

Performance

Global equities continued to grind higher on optimism over lockdown easing and economic recovery. Against this backdrop, the fund produced a positive absolute return of 10.0%.

Portfolio Strategy

From a geographic perspective, we have been reducing our weight in China as many names have been hitting price targets. Meanwhile, we are looking to deploy more capital in the US after the election of what promises to be a transformational president from a climate agenda perspective. From a sector standpoint, we have been selectively buying back growth names where valuations have corrected meaningfully. For example, we re-entered hydrogen electrolyser company ITM Power after the hydrogen space sold off indiscriminately in our view. It is also notable that many of the best performing stocks this year have been outside the energy transition space, including companies in areas such as recycling, water, agriculture and responsible consumption. We already have significant exposure here, but are looking to increase our weighting further. In a general sense, we think that the market will continue to look through the higher inflation prints that we are currently seeing as it had already positioned itself for a big inflation shock. The next big test for markets is likely to be towards the end of the year as investors begin to focus on Fed tapering. In the meantime, we are happy to be constructive with regard to the level of risk in the portfolio.

In terms of stock-specific activity over the quarter, we added to Chinese electric scooter company Niu Technologies following a pullback as it is still enjoying strong volume growth. Similarly, we added to Taiwanese electric bike company Merida and Chinese smart grid capex company Nari as both had been unjustifiable laggards in our view.

We also bought a synthetic carbon product offered by UBS, which gives us exposure to European carbon futures. We believe that politicians in Europe are keen to drive the carbon price higher and that they have the regulatory mechanisms to do so. For example, they could increase the rate of decay of carbon permits, implement a one-time reduction in the total number of permits, and increase the number of industries that need to buy permits. Currently it would cost a company about €100 a tonne to build a facility with a carbon capture element, while the carbon price is currently less than €60 a tonne. However, if the carbon price is pushed nearer to €100 a tonne, companies are likely to begin investing in carbon capture facilities.

Another purchase was First Solar, a US-based manufacturer of thin film solar cells, which do not use polysilicon. The US has banned the supply of products that use silicon from Hoshine, a company that has been linked to Uighur slave labour. We think this is part of a broader move to reduce US dependence on Chinese solar products. Longer-term, we believe that the US will have to develop its own solar industry. Companies like First Solar should benefit from significant incentives to build out capacity.

Conversely, we reduced or exited several names as they approached or exceed our target prices. These included US grid-scale battery installer Stem, Aker Carbon Capture, irrigation pipe manufacturer Finolex, EV battery producer CATL, efficient lighting company Signify, Chinese solar inverter company Sungrow and US insulation company Installed Building Products. Finally, we sold battery company Akasol after it received a bid from auto supplier BorgWarner.

Stocks

Below we highlight a major contributor and detractor from relative performance:

CATL

China-based CATL is the world leader in LFP batteries and also has a strong market position in standard nickel cathode EV batteries. The shares performed well after CATL announced an extension of its supply contract with Tesla from 2022 to 2025. It also launched a new sodium-ion battery, which is expected to be used for energy storage and very low end mobility solutions. More generally, EV sales have been strong globally, providing a healthy backdrop for battery makers. We believe that CATL can sustain a c.30% share in EV batteries globally. It also has a significant growth opportunity in batteries for grid-scale storage. In our view, being invested in the larger players such as CATL provides protection against changes in technology. Indeed, not only does CATL have a large R&D budget, but it is also already strongly positioned in two types of battery chemistry. Thus, it should be able to adapt to changes in technological adoption trends. That said, we have reduced the position as it is approaching our price target after a strong move.

Terna Energy

Terna is a Greek renewable energy company with exposure to solar, wind and pumped hydro projects. Under its Power Purchase Agreements, it must deliver power to its customers. However, some of its wind turbines in Texas were unable to do so as they froze in a freak weather event earlier this year. Terna was forced to buy power in the spot market, where prices spiked up to 200x higher, causing large losses. The company ultimately defaulted on its US assets, handing the keys back to the banks. We continue to see Terna as an attractively valued renewables company. Indeed, the shares sold off by more than the value of Terna's US business. Moreover, the positive catalysts of accelerating growth in solar and wind installations in Greece and a very attractive pumped hydro project remain in place.

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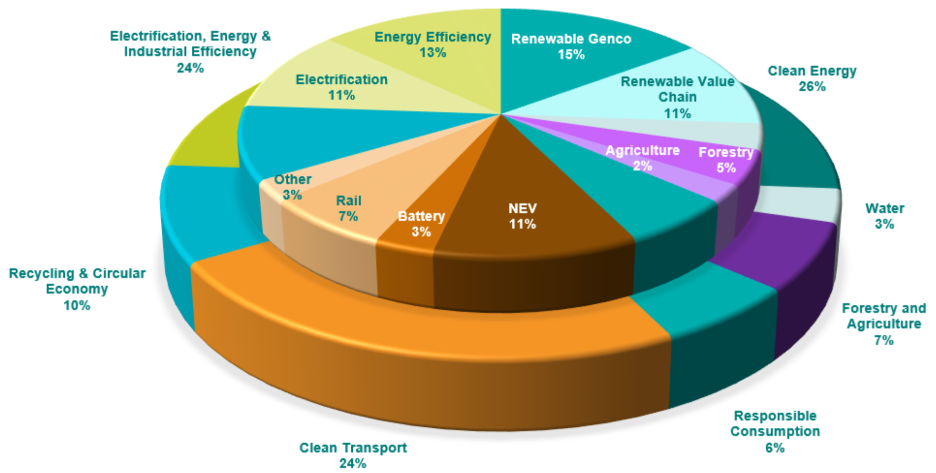
Portfolio Thematics and Performance

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



Major Winners and Losers

	Stock	Country
Top Contributors	Signify	Netherlands
	Finolex Industries	India
	CATL	China
	Smurfit Kappa Group	United Kingdom
	Installed Building Products	United States
Top Detractors	Re:NewCell	Sweden
	Ceres Power	United Kingdom
	Terna Energy	Greece
	Knorr-Bremse	Germany
	Invinity Energy Systems	United Kingdom

Themes

- In general we are seeing increasing investor interest for more esoteric **responsible consumption** companies that do not fit the standard energy transition theme. We have exposure through companies such as responsible building materials company Accsys.
- One of the topics at the upcoming UN Climate Change Conference is how we can use the planet's natural assets to sequester carbon and promote biodiversity. Amid increasing recognition, we believe that **nature-based solutions** will be an area of growth. We hold Weyerhaeuser, the largest owner of forest land in the US. We expect it to eventually have a market to which it can sell the carbon it sequesters. This is not currently recognised by investors in our view.
- We have exposure to **EVs** and the EV supply chain as adoption rates continue to surprise on the upside. For example, EV penetration in China was 6% for passenger cars in 2020. The BNEF forecast is for it to be 8% for 2021, but it is currently running at c.12% and will likely be even higher by the end of the year.

Performance

- The fund produced a positive absolute return of 10.0%
- The biggest winner was energy efficient lighting company Signify. It released a strong set of results, demonstrating impressive cost control and the first quarter of topline growth for some time.
- As a manufacturer of plastic pipes for irrigation, Finolex is backward-integrated into the PVC market and therefore benefits from rising PVC prices. It also released strong results.
- Similarly, Smurfit Kappa is benefitting from higher paper prices. The market has also begun to appreciate its environmental angle.
- Re:NewCell sold off following the expiry of a lock-up for pre-IPO investors. Having bought at significantly lower levels, many were happy to sell their stakes. The company has also experienced delays in getting an environmental permit for its new facility.
- As with many high growth names, Ceres Power came in for some profit taking after strong performance earlier in the year.

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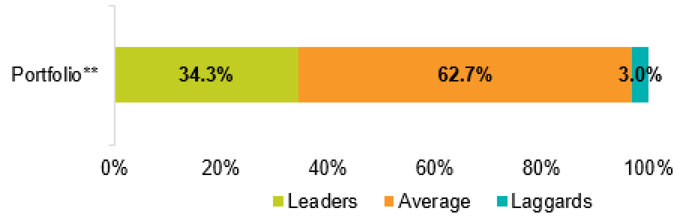
TT Environmental Solutions ESG Dashboard

Carbon Footprint and Avoided Emissions

	TT ESF
Carbon footprint (CO2t per $1m invested)	51
Carbon intensity (CO2t per $1m sales)	134
Coverage including cash	90.3%

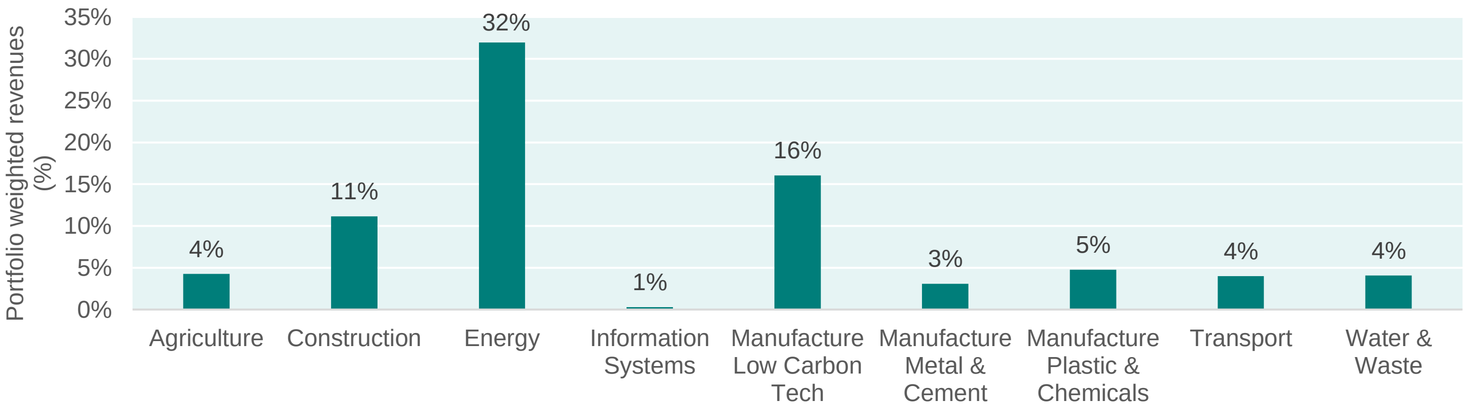
Our portfolio's avoided carbon emissions as disclosed by the investee companies is 15.1x its carbon footprint*

MSCI ESG Ratings Distribution

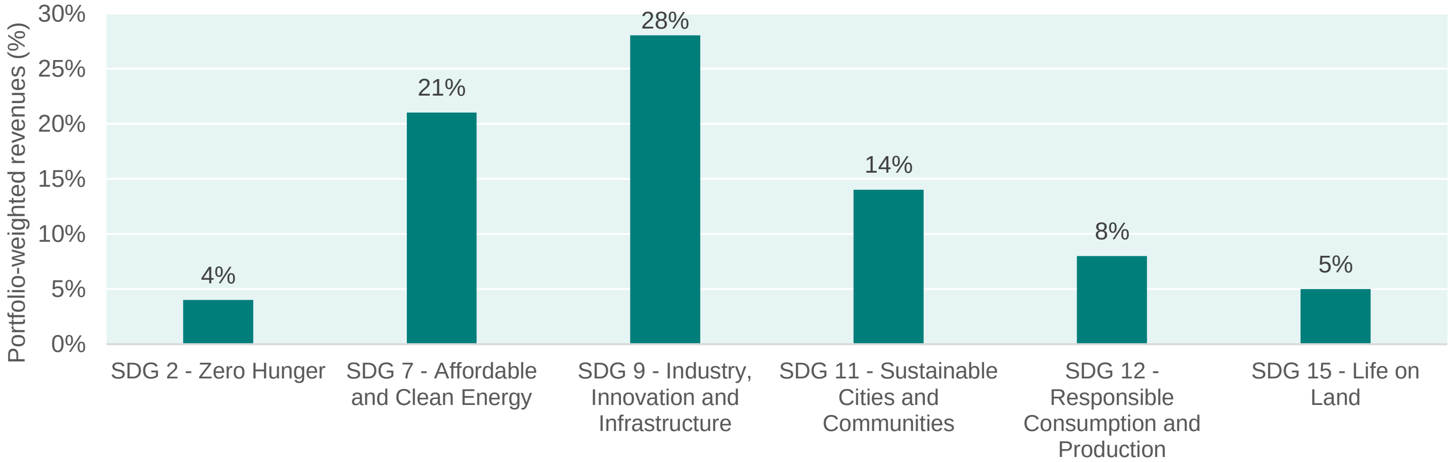


	Portfolio
Weighted Avg. ESG Score	6.58

EU Taxonomy-Eligible Revenues



SDG-Aligned Revenues of our Portfolio



*38 companies with reported or estimated carbon emissions, 22 companies reporting emissions avoided through their activities.

**15 companies not covered by MSCI ESG ratings.