TT INTERNATIONAL

Q3 2024

TT ASIA PACIFIC EQUITY FUND

THIS IS A MARKETING COMMUNICATION

Fund Performance

Past performance does not predict future returns

	Fund Gross	Fund Net	MSCI AC Asia Pacific ex Japan	Gross Rel.	Net Rel.
September	5.4	5.3	7.9	-2.3	-2.4
Q3	4.7	4.5	10.7	-5.4	-5.6
YTD	17.3	16.4	20.3	-2.5	-3.2
1 Year	26.6	25.3	29.8	-2.4	-3.4
3 Year	0.3	-0.7	2.1	-1.8	-2.8
5 Year	8.5	7.4	7.2	1.2	0.1
10 Year	8.9	7.7	5.8	2.9	1.9
Incep.*	8.4	7.3	5.3	3.0	1.9

3, 5, 10 year and Incep. returns are annualised.

Returns are in USD

Fund Value (USD mil)	225

Inception 01/07/09

The following information is in addition to, and should be read only in conjunction with, the performance data presented above.

	Fund Gross	Fund Net	MSCI AC Asia Pacific ex Japan	Rel.	Net Rel.
2014	-1.9	-2.6	-3.8	2.0	1.3
2015	-2.6	-3.8	-9.1	7.1	5.9
2016	14.5	13.3	7.1	7.0	5.8
2017	50.4	48.8	37.3	9.5	8.4
2018	-14.8	-15.7	-13.7	-1.3	-2.4
2019	23.6	22.3	19.5	3.4	2.4
2020	21.0	19.7	22.8	-1.5	-2.5
2021	4.6	3.6	-2.7	7.5	6.4
2022	-24.7	-25.4	-17.2	-9.0	-9.9
2023	18.7	17.5	7.7	10.2	9.1
2024	17.3	16.4	20.3	-2.5	-3.2

*Inception of Duncan Robertson's tenure on 1st July 2014

Q3 2024 Attribution

Country Allocation	-1.2
Security Selection	-4.3
Currency Effect	0.1
Management Effect	**-5.4**

Asian equities rallied over the quarter as the US and China announced policy easing. The fund saw a positive absolute return, underperforming its benchmark.

Performance

The fund finished behind its benchmark, with outperformance in Taiwan and Indonesia outweighed by underperformance in Korea, Hong Kong and India.

Market Background

Asian equities rallied over the quarter as the US and China announced policy easing.

Outlook

The most significant events in markets over recent weeks have been policy easing in the US and China. The Fed decided to cut by 50bps, which we believe was the correct call, with 3-month rolling underlying inflation already below the central bank's 2% target and rates clearly restrictive at these levels. This decision reinforces our view that there will be a soft landing in the world's largest economy, and we take additional comfort from the fact that the Fed has substantial scope to cut much further. As we have argued previously, these rate cuts should be effective because consumer balance sheets are in reasonably good health across the developed world.

While the Fed's decision was well-telegraphed, policy easing in China caught investors by surprise and catalysed a major relief rally. Key announcements include: cutting the Reserve Requirement Ratio to inject RMB 1 trillion of liquidity into the system; lowering outstanding mortgage rates to ease the mortgage burden for c.150m people; reducing downpayments for second homes; setting up a new swap facility to allow asset managers and insurers to tap at least RMB 500 billion of PBOC liquidity to purchase equities; and providing a further RMB 300 billion of funds to allow banks to lend to corporates for share buybacks. At the time of writing, there is speculation that these measures will be followed up with a series of fiscal announcements, including cash handouts for the poor, and issuing RMB 2 trillion via special bonds to stimulate consumption and help local governments tackle debt problems.

Some of the measures are healthy. For example, the moves to get banks to pass on lower rates to mortgage holders should boost consumption. Moves by Tier 1 cities to remove home purchase restrictions are also positive, although they will not help to address the more important issue of oversupply in these cities. It will be interesting to see what further measures are announced to support the market as the Politburo statement did call for an imminent reversal in declining property sales and prices. Interestingly however, it also called for a cap on new housing starts. This may be sensible in terms of limiting the risk of the property bubble inflating again, but it does suggest that the overarching policy goal will be to reduce downside risks associated with the property sector as opposed to returning to a property-led growth model.

The plan to inject capital into the six largest banks is puzzling and seemingly unnecessary. CCB, for example, has a 14% tier 1 capital ratio. Capital is not a constraint, unless the Non-Performing Loan problem is substantially worse than the official data suggests. The reason that banks are struggling to lend is that credit demand is low, and it is difficult to identify a new growth driver that will change this. Indeed, the former growth drivers of property, infrastructure and exports continue to look challenged, either due to oversupply or geopolitics. Consequently, we suspect that the capital injection will have little impact.

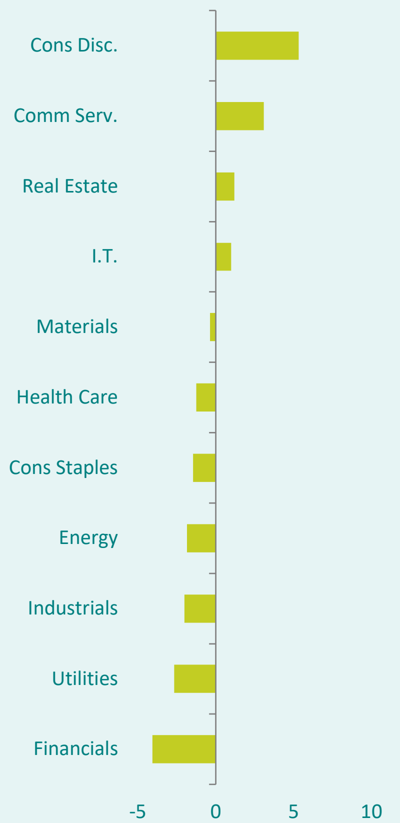
Following the rally, it is hard to argue that China overall is cheap and oversold. MSCI China is very close to its 5- and 10-year median P/E valuations. This comes against a backdrop where the fundamentals are arguably worse than at almost any time in the past 10 years, other than during the prolonged covid lockdown period. Our core view is that China remains challenged due to a combination of geopolitics, demographics, excess debt, deflation, and an unwind of the property bubble. Perhaps the best template for what is likely to happen in China is Japan. As Japan deflated, the market went through a multi-year period of underperformance, punctuated by the occasional sharp rally on hopes of a bottom. In our view, this is what we are witnessing in China now.

We are therefore moderately underweight, with a material underweight to China partially offset by an overweight to Hong Kong, albeit largely in international businesses. We have added slightly to some Hong Kong/China positions in recent days, including Prudential, Johnson Electric, Mindray Medical and Proya. However, we have also used the rally to trim positions such as Alibaba due to concerns that China's ecommerce market is increasingly mature and competitive.

Given our underweight, the measures that concern us most from a portfolio risk management perspective are those targeted at the market, including the credit lines that are designed to help companies fund buybacks. These may be largely symbolic, but they are effectively telling corporates to buy the market, and by extension, telling citizens to do the same. We have seen in the past that China can experience sharp retail investor-fuelled rallies and that valuations can move well ahead of fundamentals. While this is clearly a risk to being underweight, it is one that we are comfortable with, as banking on Chinese retail investors buying the market is far from a compelling investment case when weighed up against the aforementioned structural issues and the exciting opportunities we see in other markets.

Country relative to Index %

Sectors relative to Index %



Portfolio Positioning

Over the quarter we bought Korean automaker Kia. Within the global auto industry, we believe that Kia is well positioned in several respects. From a geographic perspective, it has relatively low China exposure and relatively high India exposure, as well as the ability to supply the US from US and Mexican plants. Secondly, it has relatively high exposure to electric and hybrid vehicles, and importantly, these enjoy similar levels of profitability compared to its internal combustion engine vehicles. In fact, Kia is one of the most profitable automakers globally, and also one of the cheapest. It trades near a 10-year trough valuation of less than 4x earnings, despite improved profitability and market share gains over this period. With 40% of its market cap in net cash, and expectations that it will have generated its entire market cap in net cash by 2028, Kia is a deep value stock that we believe will gradually rerate as cash generation continues apace.

We also added to Prudential, a leading life insurance business in Asia. It has recently shifted its Embedded Value (EV) reporting method from European EV to Traditional EV to be more directly comparable with AIA, which trades at a substantial premium. The investment thesis is one of growth and capital return, with additional potential for a re-rating. Pru targets high-single-digit to mid-double-digit New Business Profit, which should translate into annual operating profit growth of 6-9%. It has also committed to 7-9% dividend growth in 2024 and 2025, as well as a $2bn (9% of market cap) buyback programme, to be completed by mid-2026.

Conversely, we sold Bukalapak, where the investment case had deteriorated and we were disappointed by the lack of shareholder returns, despite having more than 100% of its market cap in cash.

We also sold LG Chemical due to concerns about oversupply in the EV battery and hydrogen peroxide markets.

Finally, we used the China rally to reduce Alibaba as China's ecommerce market is increasingly mature and competitive.

Stock Focus

Kuaishou Technology (China, Communication Services)

Kuaishou is China's number two short-video platform, behind Douyin. Kuaishou has ~670m Monthly Active Users (MAUs) compared to Douyin's ~1bn. By leveraging the trust in content creators that promote and sell products online, social commerce platforms such as this are disrupting the 'traditional' Web 1.0 (ecommerce/search) business models. Accounting for ~11% of China's internet traffic, but just ~4% of China's internet revenues, Kuaishou is first and foremost a monetisation story. In fact, Kuaishou's monetisation rate is less than half that of Douyin's. However, the gap is closing as Kuaishou rolls out more advertising and develops its ecommerce business. This should drive significant operational leverage as these new revenue streams have over twice the incremental margins of its core live-streaming business. Indeed, operating margins have already increased by over 20% in 3 years. The shares rallied sharply following the policy easing announcements in China.

Performance Attribution Q3 2024

On this page we identify where your portfolio added or subtracted value, relative to the benchmark.

Country Selection (%)

Country	Country Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**-1.2**	**-4.3**	**0.1**	**-5.4**
Equity	**-0.8**	**-4.3**	**0.0**	**-5.1**
Taiwan	0.5	0.3	0.0	0.8
Indonesia	0.1	0.1	0.1	0.4
Canada	0.1	0.0	0.0	0.1
Philippines	0.1	0.0	0.0	0.0
Vietnam	-0.1	0.0	0.1	0.0
Thailand	0.1	-0.3	0.2	0.0
Malaysia	0.0	0.0	-0.2	-0.1
Singapore	-0.1	0.0	-0.1	-0.2
Australia	0.1	-0.4	-0.2	-0.4
China	-0.6	0.0	0.0	-0.7
India	0.1	-1.1	-0.1	-1.1
Hong Kong	0.2	-1.3	0.0	-1.1
Korea	-1.1	-1.8	0.2	-2.8
Other	**-0.1**	**0.0**	**0.0**	**-0.1**
Non Equity	**-0.5**	**0.0**	**0.2**	**-0.3**
Foreign Exchange	0.0	0.0	0.2	0.2
Cash	-0.5	0.0	0.0	-0.5

Highlights

- The fund finished behind its benchmark, with outperformance in Taiwan and Indonesia outweighed by underperformance in Korea, Hong Kong and India.
- Indonesian property stocks performed well, partly driven by the decline in global bond yields.
- Nuvama Wealth Management was the biggest winner as it had very strong results, driven by its capital markets division.
- The fund's Korean memory stocks struggled, partly because they were used as a funding source for China inflows, and also because of concerns over the DRAM cycle due to demand weakness in low-end smartphones and PCs. We retain substantial exposure to memory, and continue to believe that memory prices will be strong due to demand from AI servers, amongst other applications. High bandwidth memory is particularly sought after, but is complex and requires more capacity to produce. With evermore capacity shifting from conventional DRAM to high bandwidth memory, supply of conventional memory will likely remain tight, supporting prices.
- Samsonite delivered weak results, with slower revenue growth than expected. However, margins and cash flow remain strong and the stock is very cheap in our view. We are therefore maintaining our position.

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**0.6**	**-6.0**	**0.1**	**-5.4**
Equities	**1.0**	**-6.0**	**0.0**	**-5.1**
Real Estate	0.1	0.1	0.1	0.3
Communication Services	0.1	0.2	-0.1	0.2
Health Care	0.0	0.1	0.0	0.1
Energy	0.2	-0.2	0.0	0.1
Utilities	0.1	0.0	0.0	0.1
Consumer Staples	-0.1	0.1	0.0	0.0
Information Technology	-0.1	-0.9	0.2	-0.8
Materials	-0.1	-1.0	0.1	-1.0
Consumer Discretionary	0.9	-3.0	0.1	-2.0
Financials	-0.1	-1.5	-0.4	-2.1
Non Equity	**-0.5**	**0.0**	**0.2**	**-0.3**
Foreign Exchange	0.0	0.0	0.2	0.2
Cash	-0.5	0.0	0.0	-0.5

Highlights

- At the sector level, outperformance in Real Estate was outweighed by underperformance in Financials and Consumer Discretionary.
- Indonesian property stocks led outperformance in Real Estate.
- Equitas was a major detractor as it released poor results. However, the main factor behind this was an increase in coverage, which improves the quality the balance sheet. That increase was driven by RBI requirements for a universal bank license. It would be beneficial for Equitas to obtain that license, and we have added to the position.
- Lemon Tree Hotels struggled after data showed a moderation in Average Daily Rate growth.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	Nuvama Wealth Management	India	Financials	0.41	√
	SK Hynix	Korea	Information Technology	0.36	ˊ
	Pakuwon Jati	Indonesia	Real Estate	0.34	√
	Alibaba	China	Consumer Discretionary	0.32	√
	CATL	China	Industrials	0.30	√
Top Detractors	Hansol Chemical	Korea	Materials	-0.82	√
	Samsung Electronics	Korea	Information Technology	-0.80	√
	SK Square	Korea	Industrials	-0.59	√
	Equitas Small Finance Bank	India	Financials	-0.57	√
	Lemon Tree Hotels	India	Consumer Discretionary	-0.46	√

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Portfolio Breakdown (%)

	TT Asia Pacific		MSCI AC Asia Pacific ex Japan
	30 Jun	30 Sep	30 Sep
Australia	4.7	3.9	15.7
China	19.1	21.1	26.5
Hong Kong	6.7	8.3	4.1
India	23.9	21.0	18.6
Indonesia	3.5	1.7	1.6
Korea	18.9	16.7	10.0
Malaysia			1.4
New Zealand			0.4
Philippines	0.9	1.6	0.5
Singapore			3.0
Taiwan	12.7	13.0	16.8
Thailand	0.5	2.9	1.4
Vietnam	5.0	5.3	
Asia Pacific ex Japan	**96.0**	**95.5**	**100.0**
Rest of World	1.9	1.4	
Cash	4.0	4.5	
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT Asia Pacific		MSCI AC Asia Pacific ex Japan
	30 Jun	30 Sep	30 Sep
Communication Services	11.0	12.0	8.9
Consumer Discretionary	17.2	18.9	13.6
Consumer Staples	1.0	2.8	4.2
Energy	2.1	1.8	3.7
Financials	19.6	19.4	23.5
Health Care	3.5	3.5	4.7
Industrials	5.6	5.2	7.2
Information Technology	25.1	22.4	21.4
Materials	8.3	6.7	7.1
Real Estate	4.3	4.2	3.0
Utilities			2.7
Cash	2.1	3.1	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

June 30, 2024

Security	Country	Weight %
TSMC	Taiwan	9.9
Tencent	China	7.4
Samsung Electronics	Korea	7.1
SK Square	Korea	3.3
Axis Bank	India	3.2
Alibaba	China	2.6
HDFC Bank	India	2.3
Asia Commercial Bank	Vietnam	2.2
Samhi Hotels	India	2.2
FPT Corp	Vietnam	2.2
Top 10 Positions		42.5
Top 20 Positions		62.2
No. of stocks		53

September 30, 2024

Security	Country	Weight %
TSMC	Taiwan	9.1
Tencent	China	8.4
Samsung Electronics	Korea	5.8
Alibaba	China	3.2
SK Square	Korea	3.0
Axis Bank	India	2.6
Prudential	Hong Kong	2.5
Asia Commercial Bank	Vietnam	2.4
Hansol Chemical	Korea	2.3
FPT Corp	Vietnam	2.2
Top 10 Positions		41.6
Top 20 Positions		61.4
No. of stocks		52

Additional Fund Performance Information:

Fund 12-Month Discrete Periods (%)

	Oct 23 - Sep 24	Oct 22 - Sep 23	Oct 21 - Sep 22	Oct 20 - Sep 21	Oct 19 - Sep 20
Gross of fees	26.6	25.8	-36.6	36.0	9.4
Net of fees	25.3	24.6	-37.3	34.7	8.3
Index	29.8	12.0	-26.7	16.9	13.9
Relative (gross)	-2.4	12.4	-13.5	16.4	-4.0
Relative (net)	-3.4	11.3	-14.4	15.2	-4.9

Additional risks
FDI Risk: FDI may fluctuate in value rapidly and leverage through FDI may cause losses that are greater than the original amount paid for the relevant FDI. Operational Risk: human error, system and/process failures, inadequate procedures or control may cause losses to the Fund. Liquidity Risk: the Fund may have difficulty buying or selling certain securities readily which may have a financial impact on the Fund. Credit/Counterparty Risk: a party with whom the Fund contracts for securities may fail to meet its obligations (e.g. fail to pay principal or interest or to settle an FDI) or become bankrupt, which may expose the Fund to a financial loss.

For more information on these and other risk factors that apply to the Fund, see the section entitled "Risk Factors" in the Prospectus.