TT INTERNATIONAL

Q1 2022

TT ASIA EX JAPAN EQUITY FUND

Fund Performance

	Fund Gross	MSCI Asia ex Japan
March	-4.8	-2.7
Q1	-11.5	-8.0
1 Year	-17.6	-14.4
3 Year (ann)	5.6	5.4
Incep. (ann)	3.3	2.6

Returns are gross of fees in USD

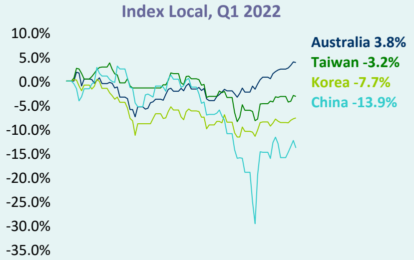
Fund Value (USD mil) 61

Inception 02/05/18

Q1 2022 Attribution

Country Allocation	-0.5
Security Selection	-3.7
Currency Effect	0.4
Management Effect	**-3.8**

Markets



Source: MSCI. Returns are Gross Total Returns in local currency terms for the corresponding MSCI country index.

Asian equities sold off as investors braced for tighter monetary policy to contain spiking inflation. The fund saw a negative absolute return, underperforming its benchmark.

Performance

The fund finished behind its benchmark, with outperformance in Taiwan, Australia, Vietnam and India overshadowed by underperformance in China and Hong Kong.

Market Background

Asian equities sold off as investors braced for tighter monetary policy to contain spiking inflation.

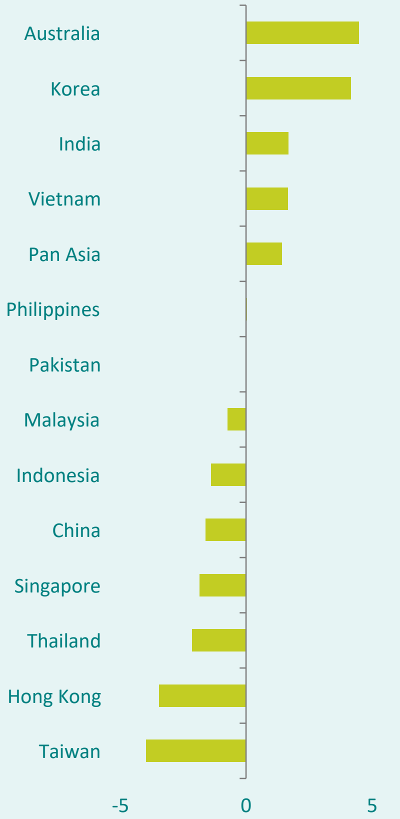
Outlook

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. 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. Meanwhile, Chinese equities experienced a violent sell-off due to the prospect of widening lockdowns to contain COVID, as well as the overhang of potential further regulation in the Tech sector. They then rallied sharply after Beijing encouraged regulators to issue market-friendly policies to “invigorate the economy”. The extent of the relief rally suggests that markets are interpreting the Chinese State Council’s comments as similar to Mario Draghi’s watershed “whatever it takes” speech that saved the euro.

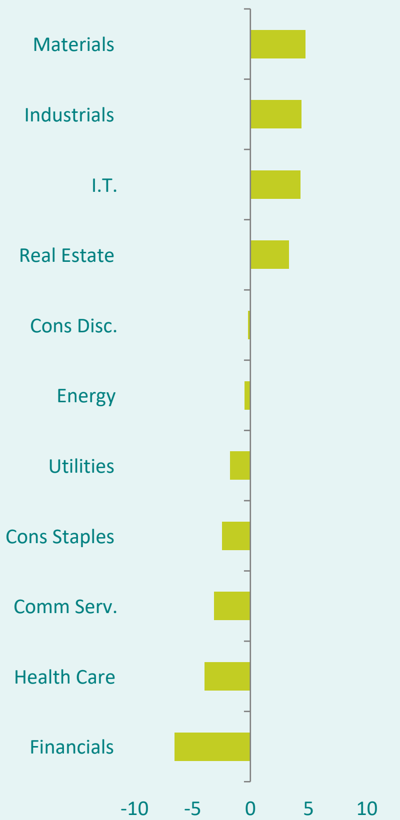
Having been underweight China for much of last year, we increased exposure as we felt that valuations had got to attractive levels and that the factors which had been casting a shadow over the market would gradually improve, most notably COVID, the property cycle and the regulatory backdrop. Unfortunately China’s zero-COVID policy is being severely tested by a rapidly expanding outbreak. The country is making progress with MRNA vaccine development and rollout, but this will take time. Meanwhile, although we have seen signs of easing in the property market, sales have not yet picked up. We expect further easing to stabilise the market, but the government may need to row back from its focus on price control, which is part of the “property is for living not speculation” drive. Where we have far higher conviction is in the regulatory backdrop, which we believe will now become sequentially more favourable. It is very encouraging to see efforts by Beijing to co-operate with the US and allow auditing of US-listed Chinese ADRs. We are also hearing from various sources, including our investee companies, that ADRs will be split into two camps according to whether the companies have access to state secrets. Those that don’t will be able to co-operate much more freely with the US. Clearly the ADR issue has been a substantial source of pain for the fund, which is frustrating as the fundamentals of many of our ADR holdings have improved materially. For example, both Niu and Miniso have released strong results, with the latter also announcing a $200m buyback programme. As the regulatory backdrop slowly improves, we believe this will be a significant catalyst for the portfolio. It is also important to note that the companies in China which have outperformed this year have tended to be banks and stodgy SOEs. These are precisely the types of companies that the fund typically avoids in favour of more dynamic private businesses. We are confident however that once Beijing’s market and growth friendly policies are implemented and risk appetite improves, many of our private sector holdings will lead the rally. Similarly, whilst our Chinese renewable energy names have struggled against a risk-off backdrop, we believe their structural growth opportunity has actually been enhanced by recent events. Again we see significant pent-up performance in these names.

Another source of outperformance should be the portfolio’s increasing exposure to Energy and Materials, given the surge in commodity prices following Russia’s invasion of Ukraine. We believe that the supply impact of the green energy transition is exacerbating the fundamental tightness in the oil market, meaning that prices should remain elevated. Many oil companies are actively encouraged by investors to return capital or invest in renewable energy rather than drilling for more oil. Consequently, non-OPEC oil supply appears to be peaking, while OPEC is delivering below its quota. We are therefore seeing spare capacity fall and inventories drawing down at a time of the year time when they are usually increasing. We have oil exposure through Santos, ONGC and Petronas Chemicals and Karoon Energy. These companies should offer substantial dividend yields and therefore protect the portfolio on the downside in potentially challenging market conditions.

Country relative to Index %



Sectors relative to Index %



Portfolio Positioning

As mentioned above we have been looking to increase the portfolio's Energy exposure. Over the quarter we bought E&P company Santos. It offers long reserve life and significant volume growth out to 2029. Management have also committed to improving shareholder returns, which we see as a key catalyst.

We also bought Petronas Chemicals, a key beneficiary of higher oil and urea prices. It has a net cash balance sheet and a high dividend yield.

Another purchase was Larsen & Toubro, which should benefit from a turn in the capex cycle in India. Whilst higher commodity prices will likely cause margin pressure, this should be outweighed by increasing order flow from the Metals, Mining and Energy sectors.

Elsewhere we purchased Prudential, an insurer which, having divested its US business, is now directly comparable to AIA, yet significantly cheaper. We also believe it stands to benefit more when the Hong Kong border reopens, and are constructive on its higher exposure to ASEAN markets.

We also bought Sea as the stock has experienced a substantial correction, but we see a significant long-term growth opportunity in ASEAN e-commerce.

To fund our increasing exposure to Energy and Materials, we have reduced our cyclical Tech positions. We believe that pressure on consumer purchasing power from higher inflation and a slowing global economy could dent demand for electronics. Moreover, Tech margins are currently very high, but could see pressure in the second half of 2022 as new foundry capacity comes online. This has been the key bottleneck in Tech supply, and once it eases up the sector as a whole could face margin pressure, particularly those areas most closely associated with foundry-related supply constraints. Consequently, we sold ASE Technology.

We also sold Delta Electronics, which we owned for its EV exposure. Many EV-related names have struggled due to concerns over rising input costs. Delta Electronics has held up relatively well, so we decided to exit the position as we felt it could soon come under pressure.

Finally, we took some profits in Axis Bank as higher oil prices will be a headwind for the Indian economy, albeit we continue to be positive on the structural growth opportunity in Indian Financials.

Stock Focus

Santos (Australia, Energy)

Santos is an oil & gas exploration and production company based in Australia. It has a portfolio of high-quality liquefied natural gas, pipeline gas and oil assets. In our view, its current valuation implies an oil price in the low $50s and is therefore extremely attractive. The company also offers a long reserve life and significant volume growth out to 2029. Indeed, production growth is expected to increase by 50% between 2024 and 2026 alone. A key catalyst for the stock should be the fact that management have committed to improving shareholder returns through higher dividends in the near future.

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Performance Attribution Q1 2022

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	**-0.5**	**-3.7**	**0.4**	**-3.8**
Equity	**-0.2**	**-3.7**	**0.1**	**-3.8**
Taiwan	0.1	0.2	0.0	0.3
Australia	0.5	-0.5	0.2	0.2
Vietnam	0.2	0.0	0.0	0.2
India	0.0	0.2	0.0	0.2
Singapore	-0.2	0.2	0.0	0.0
Malaysia	-0.2	0.0	0.0	-0.2
Philippines	0.0	-0.2	0.0	-0.2
Indonesia	-0.2	0.0	0.0	-0.2
Thailand	-0.2	0.0	0.0	-0.3
Korea	-0.2	-0.2	0.0	-0.4
Hong Kong	-0.1	-0.9	0.0	-1.0
China	0.1	-2.7	-0.1	-2.7
Other	**0.0**	**0.2**	**0.0**	**0.3**
Non Equity	**-0.3**	**0.0**	**0.2**	**-0.1**
Foreign Exchange	-0.3	0.0	0.3	0.0
Cash	0.0	0.0	0.0	-0.1

Highlights

- The fund finished behind its benchmark, with outperformance in Taiwan, Australia, Vietnam and India overshadowed by underperformance in China and Hong Kong.
- Karoon Energy was a major winner as it is a key beneficiary of the elevated oil price.
- India-based Axis Bank released positive 3Q FY22 results, demonstrating improvements in both credit growth and NIM.
- Powerlong and A-Living Services struggled due to concerns around the Chinese property market.
- VNET fell after it cut guidance on new cabinet additions.
- Hong-Kong listed electric motor supplier Johnson Electric struggled amid supply disruption in the automotive sector.

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**0.5**	**-4.7**	**0.4**	**-3.8**
Equities	**0.8**	**-4.7**	**0.1**	**-3.7**
Information Technology	-0.1	0.6	0.0	0.5
Communication Services	0.4	0.1	0.0	0.5
Health Care	0.3	0.0	0.0	0.3
Utilities	0.0	0.2	0.0	0.2
Energy	-0.3	0.1	0.1	-0.1
Consumer Staples	0.1	-0.3	0.0	-0.2
Consumer Discretionary	0.3	-0.5	0.0	-0.2
Materials	0.3	-1.1	0.1	-0.7
Real Estate	0.3	-1.5	0.0	-1.2
Industrials	0.1	-1.5	0.0	-1.4
Financials	-0.5	-0.9	-0.1	-1.5
Non Equity	**-0.3**	**0.0**	**0.2**	**-0.1**
Foreign Exchange	-0.3	0.0	0.3	0.0
Cash	0.0	0.0	0.0	-0.1

Highlights

- At the sector level, outperformance in I.T. and Communication Services was more than offset by underperformance in Financials, Industrials and Real Estate.
- Unimicron performed well after it released strong results that prompted upward earnings revisions. The ABF substrate market remains undersupplied, with favourable pricing trends.
- The fund benefitted from not owning Internet companies such as Meituan Dianping and Sea. Growth stocks have generally struggled against a backdrop of rising rates. After correcting significantly, we have now bought a position in Sea.
- Chinese online lender 360 Digitech struggled amid general concerns about ADRs and the Chinese economy.
- Guangdong Jia Yuan and Tongling Jingda sold off due to worries about higher EV battery material costs curbing demand.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	Karoon Energy	Australia	Energy	0.62	√
	Axis Bank	India	Financials	0.49	√
	Meituan Dianping	China	Consumer Discretionary	0.43	×
	Sea	Singapore	Communication Services	0.40	√
	IIFL Wealth Management	India	Financials	0.35	√
Top Detractors	Powerlong Real Estate Holdings	China	Real Estate	-0.66	√
	Johnson Electric	Hong Kong	Consumer Discretionary	-0.65	√
	Kingsoft Cloud	China	Information Technology	-0.46	√
	VNET Group	China	Information Technology	-0.46	√
	Niu Technologies	China	Consumer Discretionary	-0.43	√

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Portfolio Breakdown (%)

	TT Asia ex Japan		MSCI Asia ex Japan
	31 Dec	31 Mar	31 Mar
Asia Pacific ex Japan	**97.3**	**95.7**	**100.0**
Australia	4.3	4.5	
China	33.4	32.8	34.4
Hong Kong	4.5	3.8	7.3
India	17.7	16.7	15.0
Indonesia	0.2	0.6	2.0
Korea	19.4	18.6	14.4
Malaysia		1.0	1.7
Pakistan			0.0
Philippines	0.8	0.9	0.9
Singapore		1.9	3.7
Taiwan	17.7	14.5	18.5
Thailand			2.1
Vietnam	0.9	1.7	
Emerging Asia	**1.7**	**1.2**	**0.0**
Pan Asia	**0.0**	**1.4**	**0.0**
Cash	1.0	1.7	
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT Asia ex Japan		MSCI Asia ex Japan
	31 Dec	31 Mar	31 Mar
Communication Services	4.3	6.9	10.0
Consumer Discretionary	12.7	13.1	13.3
Consumer Staples	3.1	2.3	4.8
Energy	1.3	2.9	3.5
Financials	15.1	14.2	20.7
Health Care	1.1		3.9
Industrials	7.6	10.9	6.6
Information Technology	33.1	29.0	24.7
Materials	10.7	10.3	5.6
Real Estate	8.3	7.3	4.0
Utilities	1.7	1.2	2.9
Cash	1.0	1.7	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

December 31, 2021

Security	Country	Weight %
TSMC	Taiwan	6.9
Tencent	China	4.3
Samsung Electronics	Korea	3.9
Equitas	India	3.8
Axis Bank	India	3.8
Alibaba Group	China	3.1
Delta Electronics	Taiwan	3.1
SK Hynix	Korea	3.0
Hyundai	Korea	2.5
Yageo	Taiwan	2.4
Top 10 Positions		36.6
Top 20 Positions		56.8
No. of stocks		59

March 31, 2022

Security	Country	Weight %
TSMC	Taiwan	7.4
Tencent	China	5.0
Alibaba Group	China	4.0
Equitas	India	3.8
Samsung Electronics	Korea	3.7
Chalice Mining	Australia	2.4
SK Hynix	Korea	2.4
ASM Pacific Technology	Hong Kong	2.2
Yageo	Taiwan	2.1
Samsung Electro-Mechanics	Korea	2.1
Top 10 Positions		35.1
Top 20 Positions		53.7
No. of stocks		61