TT INTERNATIONAL

Q1 2024

# TT ASIA EX JAPAN EQUITY FUND

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## Fund Performance

Past performance does not predict future returns

| | Fund Gross | Fund Net | MSCI Asia ex Japan | Gross Rel. | Net Rel. |
|---|---|---|---|---|---|
| March | 3.4 | 3.4 | 2.6 | 0.8 | 0.8 |
| Q1 | 3.7 | 3.4 | 2.4 | 1.2 | 0.9 |
| 1 Year | 13.5 | 12.2 | 4.4 | 8.7 | 7.6 |
| 3 Year | -5.0 | -6.0 | -6.5 | 1.7 | 0.6 |
| 5 Year | 4.2 | 3.1 | 2.3 | 1.8 | 0.8 |
| Incep. | 2.9 | 1.8 | 0.9 | 1.9 | 0.9 |

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

Returns are in USD

Fund Value (USD mil) 40

Inception 02/05/18

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 Asia ex Japan | Rel. | Net Rel. |
|---|---|---|---|---|---|
| 2018 | -16.7 | -17.4 | -15.3 | -1.6 | -2.4 |
| 2019 | 23.5 | 22.3 | 18.5 | 4.2 | 3.2 |
| 2020 | 19.4 | 18.2 | 25.4 | -4.7 | -5.7 |
| 2021 | 4.4 | 3.3 | -4.5 | 9.2 | 8.1 |
| 2022 | -24.4 | -25.2 | -19.4 | -6.3 | -7.3 |
| 2023 | 17.7 | 16.5 | 6.3 | 10.7 | 9.5 |
| 2024 | 3.7 | 3.4 | 2.4 | 1.2 | 0.9 |

## Q1 2024 Attribution

| | |
|---|---|
| Country Allocation | 1.0 |
| Security Selection | 0.0 |
| Currency Effect | 0.2 |
| **Management Effect** | **1.2** |

Asian equities rallied in Q1 amid general risk-on sentiment. The fund saw a positive absolute return, outperforming its benchmark.

## Performance

The fund finished ahead of its benchmark. Outperformance was particularly significant in Hong Kong, Vietnam and China.

## Market Background

Asian equities rallied in Q1 amid general risk-on sentiment.

## Outlook

We continue to be generally positive on equity markets, based on the ‘goldilocks’ scenario of inflation normalising, rates having peaked, and economic growth proving reasonably resilient. We do not buy into the argument that inflation will be sticky. From a wage perspective, AI should be a fundamentally deflationary technology as it enables the replacement of labour with capital. Meanwhile, most signs point to the energy crisis being over, with natural gas prices continuing to be very weak, and the cost of clean energies such as solar power falling precipitously. There are even anecdotes of solar panels being using as fencing in Europe because the technology is so inexpensive. At the same time, the EV price war is heating up, which should be deflationary for autos in general. The one caveat to our benign view is that valuations are clearly less compelling after strong equity market performance. However, in the current goldilocks scenario of resilient growth and falling inflation we do not see this as a standalone catalyst for a significant correction in markets without an unforeseen exogenous event.

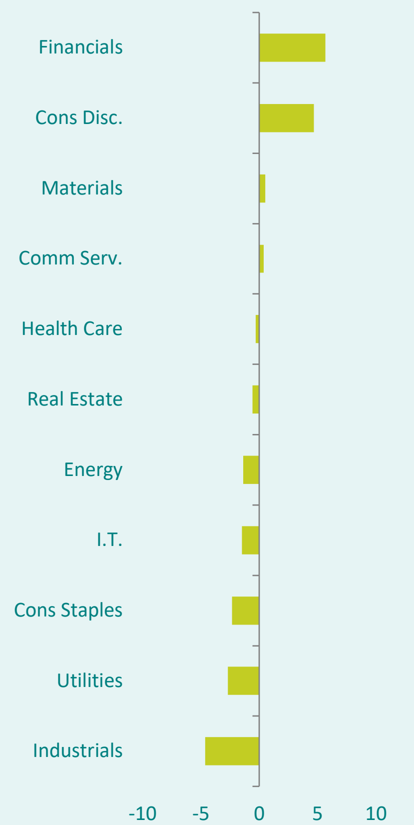
We will devote the remainder of this commentary to discussing India, where we have recently increased exposure following a correction in some of our holdings in the Financials sector and the smid-cap space more generally. There have been mounting concerns about Indian private-sector banks as loan-to-deposit ratios have increased, meaning tighter liquidity, and potentially slower growth for these banks. We do not disagree with this analysis, but would argue that these businesses are not priced to carry on growing at their recent rates in perpetuity. Thus, a marginal slowdown is not a huge concern for us. To quantify this, let’s assume that private-sector banks can only expand their loans in line with their deposit growth. Historically, this has been roughly equal to nominal GDP for the system, meaning at least 10-12%. But private-sector banks have been gaining market share in deposits, meaning they could grow at 1.2-1.5x the system. This would mean mid-teens growth in deposits and loans for the average private-sector bank, and potentially far more for the small finance banks that we own such as Ujjivan and Equitas. By focusing on areas with higher yields such as microfinance or small business loans, they can offer higher deposit rates but still generate a good spread.

We also added more generally to our Indian smid-cap exposure over the quarter. There have been concerns about valuations in the space following extremely strong performance last year. Indeed, research from Bernstein found that the proportion of Indian smid-cap stocks trading below 20x earnings has shrunk from around 70% in FY07-FY13 to just 25% today. However, this must be caveated by noting that earnings revisions in India have been much better post-COVID, particularly in smid-cap. We would also note that smid-caps have been generally growing faster than large-caps in India. Much more importantly, when we look at our own holdings, we find valuations are very reasonable.

This is exemplified by our three largest active weights in the Indian smid-cap space: Samhi Hotels, Ujjivan Financial Services and Nuvama Wealth Management, all of which were increased in the recent correction. Hotel stocks tend to be valued on EV/EBITDA rather than P/E, and with good reason. A new hotel will have higher depreciation than an old one. All else being equal, it will have lower net profit, but as a new hotel that net profit will require less capex to sustain than would be the case for an old hotel. Samhi currently trades on just 13.5x FY25 EV/EBITDA. By contrast, large-cap peer India Hotels trades on 33.7x EV/EBITDA. Samhi’s valuation even appears to be good value in a global context, given that Indian consumer stocks tend to trade at a premium to Developed Market stocks due to their higher growth potential. Ujjivan Financial Services is the holding company of Ujjivan Small Finance Bank. The two entities will be merging this month, with the merger ratios already agreed. Ujjivan Financial Services trades at a 10% discount to Ujjivan Small Finance Bank, offering compelling near-term upside in our view. But much more importantly, Ujjivan Small Finance Bank, which we will ultimately own after the merger, trades on less than 8x FY25 earnings and just 1.6x book value. This looks extremely cheap for a bank that should be able to sustainably grow assets at more than 20% per year and deliver an ROE in the mid-20s. Finally, Nuvama Wealth Management trades on 25x FY25 earnings, a significant discount to its closest peer 360 One on 30x, and much cheaper than many of the larger-cap asset management companies in India such as HDFC AMC, which we believe have inferior business models. We regard Nuvama as the best value expression of our positive view on growing wealth in India.

## Country relative to Index %


## Sectors relative to Index %




# Portfolio Positioning

Over the quarter we bought Cera, a leading producer of sanitary- and faucet-ware products such as sinks, taps and toilets. We see it as a strong play on the Indian property market, which has shown remarkable strength in recent years and offers an excellent opportunity over the coming decade in our view. As India's wealth levels increase, the demand for higher-quality housing stock should surge, creating tens of millions of new homes. Since COVID, property pre-sale numbers have been very strong – a clear indication of future demand for building materials. However, given the length of development projects, completions are yet to show the same acceleration. Materials used earlier in the project cycle, such as cables and wires, have exhibited rapid growth in recent quarters. Looking ahead, products used closer to completion should enjoy similar growth. Cera should be a major beneficiary at this point in the cycle. The investment thesis is therefore one of sustained mid-teens (or better) revenue growth, compounded by margin improvement, partly as a result of premiumisation. When comparing Cera's valuation to its peer group, we believe it stands out as a compelling long-term opportunity to capture India's housing boom.

We also bought HDFC Bank, the leading private-sector bank in India. Following its merger with HDFC Ltd, it has a lot of high-cost borrowing, which over time will need to be paid down and refinanced with lower cost deposits. This process will be accretive to net interest margins, but will also mean that loans will grow slower than deposits for the next few years. Given these dynamics, HDFC Bank was hit particularly hard over general fears about slowing rates of loan growth in the Indian banking system. We believe the correction presents an attractive entry point. Indeed, on most metrics the shares are as cheap as they have ever been over the past 20 years. The investment thesis is based on sustained loan growth (in the low-teens whilst the bank shifts its liability mix, accelerating to mid-teens thereafter) and improving profitability as net interest margins pick up and cost-to-income falls. There could also be a rerating from current low levels versus both history and peers.

Conversely, we took profits in Fabrinet. In the new generation of AI server, it appears that the optical links will be replaced with copper links, which would negatively impact Fabrinet.

We also reduced the position in Samsonite following news that it had received approaches from private equity buyers. This would result in lower upside for us than in a fundamental scenario as a private equity buyer would also need to earn a return so would unlikely be willing to pay what we see as fair value for the shares.

# Stock Focus

**Capstone Copper (Rest of World, Materials)**

Capstone is a mining company, focused primarily on copper exploration and production. The majority of its assets sit in Chile, with additional mines in Arizona and Mexico. Annual copper production in 2023 was ~165kt, and we see a clear pathway to 380kt, driven by significant expansion of its portfolio in Chile. We are structurally bullish on copper, given its centrality to decarbonisation efforts globally, as well as the relatively limited supply. Capstone's Mantoverde Development Project is now in the commissioning phase. The first ore has been fed through the primary crushing circuit, with Capstone providing cost guidance of $1.45-$1.75/lb for 2H24 – well below the rest of the portfolio. At the time of writing, Capstone trades at CAD8.72. Assuming a copper price of $4/lb (versus $4.21 today), we forecast just over $1bn of annualised EBITDA by 2025, giving us an equity value of CAD10.6 using a conservative 6x EV/EBITDA multiple. All else being equal, at $4.5/lb copper our target price would improve to CAD13.5. It is also worth noting that Capstone's management team are particularly impressive, with the CEO having over 30 years of operational and investment experience in the metals and mining sector. The shares rallied due to strength in the copper price, as well as a successful ramp up of the Mantoverde Development Project.

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## Performance Attribution Q1 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** | **1.0** | **0.0** | **0.2** | **1.2** |
| **Equity** | **1.4** | **0.0** | **0.2** | **1.5** |
| Hong Kong | -0.1 | 1.5 | 0.0 | 1.4 |
| Vietnam | 0.9 | 0.0 | 0.0 | 0.9 |
| China | 0.6 | 0.1 | -0.1 | 0.6 |
| Canada | 0.0 | 0.4 | 0.0 | 0.3 |
| Thailand | 0.1 | 0.0 | 0.1 | 0.2 |
| Taiwan | -0.7 | 0.7 | 0.1 | 0.1 |
| Singapore | 0.1 | 0.0 | 0.0 | 0.1 |
| Australia | 0.0 | 0.0 | -0.1 | 0.0 |
| Korea | 0.0 | -0.5 | 0.0 | -0.5 |
| Indonesia | 0.1 | -0.6 | 0.0 | -0.6 |
| India | 0.2 | -1.1 | 0.1 | -0.7 |
| **Other** | **0.2** | **-0.5** | **0.1** | **-0.2** |
| **Non Equity** | **-0.3** | **0.0** | **0.0** | **-0.3** |
| Cash | -0.3 | 0.0 | 0.0 | -0.3 |

### Highlights

- Outperformance was particularly significant in Hong Kong, Vietnam and China.
- Samsonite rallied on news that it had received takeover interest.
- Our Vietnamese holdings performed well as investors grew increasingly optimistic about the country’s potential to gain export market share.
- TSMC performed well on optimism around AI.
- Indian Financials such as Ujjivan sold off due to concerns that rising loan-to-deposit ratios in the banking system would ultimately mean slower growth for private-sector banks.

### Sector Selection (%)

| Sector | Sector Allocation | Security Selection | Currency Effect | Management Effect |
|---|---|---|---|---|
| **Total Portfolio** | **-0.4** | **1.4** | **0.2** | **1.2** |
| **Equities** | **0.0** | **1.4** | **0.2** | **1.5** |
| Consumer Discretionary | -0.2 | 1.3 | 0.0 | 1.1 |
| Information Technology | 0.1 | 0.4 | 0.0 | 0.5 |
| Industrials | 0.0 | 0.4 | 0.0 | 0.4 |
| Real Estate | 0.1 | 0.3 | 0.0 | 0.4 |
| Materials | 0.1 | 0.3 | 0.0 | 0.4 |
| Communication Services | 0.0 | -0.1 | 0.1 | -0.1 |
| Utilities | 0.0 | 0.0 | 0.0 | -0.1 |
| Consumer Staples | 0.0 | -0.1 | 0.0 | -0.1 |
| Financials | -0.1 | -0.4 | 0.3 | -0.2 |
| Health Care | 0.1 | -0.5 | 0.0 | -0.4 |
| Energy | -0.1 | -0.2 | -0.1 | -0.4 |
| **Non Equity** | **-0.3** | **0.0** | **0.0** | **-0.3** |
| Cash | -0.3 | 0.0 | 0.0 | -0.3 |

### Highlights

- At the sector level, outperformance was particularly marked in Consumer Discretionary and I.T.
- Indian hotel stocks generally performed well as our thesis of a strong upcycle with rising occupancies and room rates continues to play out.
- Bukalapak sold off after missing its target to hit adjusted-EBITDA breakeven in the fourth quarter. We believe the sell off is excessive, with the stock now trading at a discount to the net cash on its balance sheet.

### Stock Selection (%)

| | Stock | Country | Sector | Management Effect (%) | TT Held |
|---|---|---|---|---|---|
| **Top Contributors** | Nuvama Wealth Management | India | Financials | 0.59 | √ |
| | Samhi Hotels | India | Consumer Discretionary | 0.52 | √ |
| | Samsonite | Hong Kong | Consumer Discretionary | 0.47 | √ |
| | AIA Group | Hong Kong | Financials | 0.41 | ´ |
| | MakeMyTrip | India | Consumer Discretionary | 0.37 | √ |
| **Top Detractors** | Bukalapak | Indonesia | Consumer Discretionary | -0.52 | √ |
| | Entero Healthcare Solutions | India | Health Care | -0.51 | √ |
| | Silergy Corp | Taiwan | Information Technology | -0.48 | √ |
| | Prudential | Hong Kong | Financials | -0.46 | √ |
| | Ujjivan Financial Services | India | Financials | -0.37 | √ |

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## Portfolio Breakdown (%)

| | TT Asia ex Japan | | MSCI Asia ex Japan |
|---|---|---|---|
| | 31 Dec | 31 Mar | 31 Mar |
| Australia | 2.7 | 2.6 | |
| China | 22.9 | 19.0 | 29.2 |
| Hong Kong | 7.9 | 7.3 | 4.9 |
| India | 24.1 | 27.5 | 20.6 |
| Indonesia | 4.5 | 3.2 | 2.2 |
| Korea | 16.8 | 17.5 | 14.9 |
| Malaysia | | | 1.6 |
| Philippines | 0.5 | | 0.7 |
| Singapore | | | 3.6 |
| Taiwan | 12.6 | 13.5 | 20.5 |
| Thailand | 3.0 | | 1.8 |
| Vietnam | 4.0 | 5.5 | |
| **Asia Pacific ex Japan** | **98.9** | **96.1** | **100.0** |
| Rest of World | | 1.7 | |
| Cash | 1.1 | 3.9 | |
| **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 | 8.8 | 9.5 | 9.1 |
| Consumer Discretionary | 21.1 | 18.2 | 13.5 |
| Consumer Staples | 7.0 | 2.1 | 4.4 |
| Energy | 2.7 | 2.6 | 4.0 |
| Financials | 23.1 | 25.9 | 20.2 |
| Health Care | 1.6 | 3.2 | 3.6 |
| Industrials | 1.9 | 3.0 | 7.7 |
| Information Technology | 26.0 | 25.9 | 27.4 |
| Materials | 4.4 | 5.2 | 4.7 |
| Real Estate | 2.3 | 2.0 | 2.6 |
| Utilities | | | 2.7 |
| Cash | 1.1 | 2.2 | |
| **Total** | **100.0** | **100.0** | **100.0** |

## Top 10 Stocks

| December 31, 2023 | | | March 31, 2024 | | |
|---|---|---|---|---|---|
| **Security** | **Country** | **Weight %** | **Security** | **Country** | **Weight %** |
| TSMC | Taiwan | 10.0 | TSMC | Taiwan | 9.6 |
| Samsung Electronics | Korea | 7.6 | Samsung Electronics | Korea | 7.9 |
| Tencent | China | 7.0 | Tencent | China | 7.4 |
| Axis Bank | India | 5.0 | Axis Bank | India | 4.3 |
| Alibaba Group | China | 4.0 | Alibaba Group | China | 3.2 |
| Samsonite | Hong Kong | 3.8 | Samhi Hotels | India | 2.7 |
| Fabrinet | Thailand | 3.0 | Karoon Energy | Australia | 2.6 |
| Karoon Energy | Australia | 2.7 | HDFC Bank | India | 2.6 |
| Prudential | Hong Kong | 2.6 | Nuvama Wealth Management | India | 2.6 |
| FILA Korea | Korea | 2.6 | FILA Korea | Korea | 2.3 |
| Top 10 Positions | | 48.4 | Top 10 Positions | | 45.2 |
| Top 20 Positions | | 67.1 | Top 20 Positions | | 64.9 |
| No. of stocks | | 49 | No. of stocks | | 49 |

## Additional Fund Performance Information:

| Fund 12-Month Discrete Periods (%) | Apr 23 - Mar 24 | Apr 22 - Mar 23 | Apr 21 - Mar 22 | Apr 20 - Mar 21 | Apr 19 - Mar 20 |
|---|---|---|---|---|---|
| Gross of fees | 13.5 | -8.2 | -17.6 | 85.1 | -22.9 |
| Net of fees | 12.2 | -9.1 | -18.5 | 83.3 | -23.7 |
| Index | 4.4 | -8.5 | -14.4 | 57.8 | -13.2 |
| Relative (gross) | 8.7 | 0.4 | -3.7 | 17.3 | -11.2 |
| Relative (net) | 7.6 | -0.7 | -4.7 | 16.2 | -12.1 |

### Important Information:

**Shareholder Rights**

A Prospectus is available for the Fund and Key Investor Information Documents (KIIDs) are available for each share class of each the sub-funds of the Fund. The Fund's Prospectus can be obtained from www.ttint.com/fund-documentation/ and is available in English. The KIIDs can be obtained from www.ttint.com/fund-documentation and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from www.ttint.com/fund-documentation . The summary is available in English. The sub-funds of the Fund are currently notified for marketing into a number of EU Member States under the UCITS Directive. The Fund can terminate such notifications for any share class and/or sub-fund of the Fund at any time using the process contained in Article 93a of the UCITS Directive.

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Switzerland: Prospectus, Key Investor Information Documents, Articles of Association, annual and semi-annual reports of the Fund may be obtained free of charge from the Swiss Representative (First Independent Fund Services AG, Klausstrasse 33, 8008 Zurich) and Paying Agent (NPB New Private Bank Ltd, Limmatquai 1, CH-8024 Zurich).

**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.