TT INTERNATIONAL

Q2 2021

TT ASIA EX JAPAN EQUITY FUND

Fund Performance

	Fund Gross	MSCI Asia ex Japan
June	2.2	-0.1
Q2	7.1	3.7
YTD	20.1	6.5
1 Year	63.1	40.0
3 Year (ann)	16.4	12.5
Incep. (ann)	13.1	9.7

Returns are gross of fees in USD

Fund Value (USD mil) 85

Inception 02/05/18

Q2 2021 Attribution

Country Allocation	1.1
Security Selection	2.3
Currency Effect	-0.1
Management Effect	**3.3**

Markets

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

Asian equities rallied in Q2 on hopes for a global recovery, but gains were limited by concerns over tougher regulation in China, as well as the prospect of central banks tightening monetary policy in the face of higher inflation. The fund saw a positive absolute return, outperforming its benchmark.

Performance

The fund finished ahead of its benchmark, with outperformance particularly marked in Korea, Indonesia and Taiwan.

Market Background

Asian equities rallied in Q2 on hopes for a global recovery, but gains were limited by concerns over tougher regulation in China, as well as the prospect of central banks tightening monetary policy in the face of higher inflation.

Outlook

Our view remains broadly unchanged. Vaccines are proving to be effective, as evidenced by countries such as the UK, where cases are climbing rapidly but hospitalisation and death rates remain low. We believe there will be a shift in policy focus towards deaths and hospitalisations, essentially aiming to live with covid as we do with the flu. This should lead to a faster and fuller normalisation of social distancing requirements, and a rebound in some of the most beaten down parts of the economy such as hospitality and entertainment.

Meanwhile, global markets are sending strong signals to the economy that should drive an investment cycle. For example, container shipping rates are very high and commodity prices are well above marginal cost. This investment cycle should be boosted further by abundant liquidity and fiscal stimulus. With this in mind, we expect global economic growth to be very strong over the next 12-18 months, and therefore retain a pro-cyclical tilt to the portfolio. Although we recently commented that valuations in some of the most popular areas of the market had become more realistic following a period of consolidation, some of the long duration growth and momentum orientated stocks have now returned to previous highs. Consequently, we again see pockets of the market where we worry about valuation support. Given our strict valuation overlay, we have very limited exposure to these areas, but we have been prudently taking profits in some of our more expensive Tech stocks and adding to cheaper cyclicals.

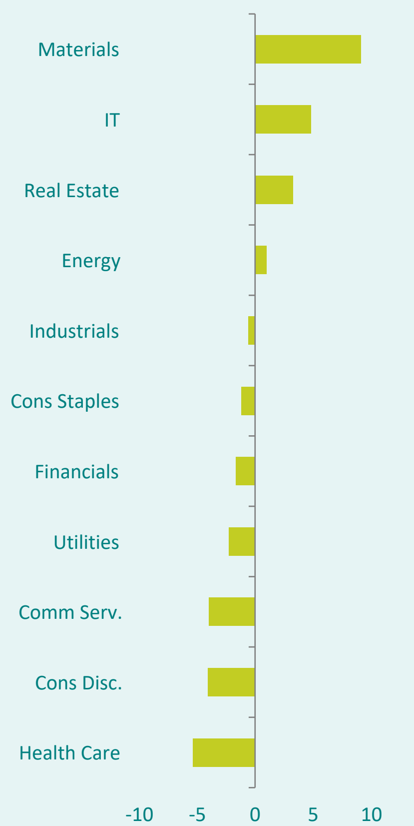
From a geographic perspective, we remain overweight Korea as we see it as a cheap cyclical market with positive earnings revisions. It also offers us exposure to two key themes – memory and the EV battery supply chain. We believe memory prices will remain elevated due to increasing demand from consumers through gaming and watching videos, as well as from corporates digitalising their businesses.

We also remain overweight India, where we continue to see a positive structural story based on reform and a bottoming of the capex and property cycles. The portfolio remains overwhelmingly focused on domestic demand, particularly Financials and Property, and we remain excited about our small-cap holdings, Equitas and Home First Finance.

Conversely, we remain underweight China, where many areas of the market are either expensive (particularly A-shares) or value traps (banks) in our view. In sectors like Tech, we find much more upside in our Taiwanese and Korean positions. China also has an overhang in terms of the potential for further regulatory tightening, as has already been seen in Property, Internet and Education.

Country relative to Index %

Sectors relative to Index %



Portfolio Positioning

Over the quarter we bought China-listed Zijin Mining, which has a large growth project coming online in the Democratic Republic of the Congo and another one in Serbia. The projects should help to drive strong copper production growth for the next 4-5 years. As part of the transaction, we reduced the holding in Merdeka as we believe near-term upside is greater at Zijin, but we retain a position in Merdeka as we think it has one of the most exciting growth projects in the global copper space. In a more general sense, we are bullish on copper, given the lack of supply and grade degradation at existing mines, as well as stronger demand from a cyclical global recovery. Demand for copper should also be boosted by the green transition as EVs require more copper than internal combustion engines, while solar and wind power are more copper intensive than thermal power.

Another purchase was Miniso, a variety retailer based in China but with significant overseas operations. We believe it will continue to grow its store footprint rapidly, and also enjoy a cyclical recovery as the impact of covid fades.

Elsewhere we bought Youran, one of the largest upstream milk producers in China. Bovine diseases and culls have led to a shortage of milk. At the same time, Chinese consumers are switching from UHT to fresh milk due to a growing awareness of health and diet post-covid and a general trend towards premiumisation. We therefore believe that raw milk prices will remain high, and also that the industry will consolidate, benefitting leading producers such as Youran.

Meanwhile, we consolidated our positions in the Chinese online lenders, selling LexinFintech but retaining our exposure to the sector through 360 Digitech. We feel the track record of 360 Digitech has been superior, and LexinFintech has also lost its CFO, which casts some doubt on its positive guidance.

We also sold Sea, where we saw reduced upside to our price target after strong performance. Taiwanese substrate producer Kinsus was reduced for the same reason, but we retain a position as the dynamics in the ABF industry are very favourable in our view.

Finally, we reduced Tencent due to concerns over increasing regulation of online gaming. The Chinese government has made it clear that it is worried about the impact of videogames on children.

Stock Focus

Eugene Technology (Korea, I.T.)

Eugene Tech is a semiconductor equipment manufacturer focused on deposition tools. It was founded in 2006 by the current CEO, Mr Um, who still owns 35% of the shares. The investment case is one of significant growth, driven by Eugene entering the batch type deposition equipment market for Samsung and SK Hynix. Eugene aims to generate 2023 revenue of W1trn, 5x the level achieved in 2020. In recent years, the R&D burden has been substantial at c.25% of sales. If revenue does indeed grow five-fold, the operating leverage effect will be substantial. We believe the stock is cheap relative to global peers such as Tokyo Electron. Eugene is tiny compared to its global counterparts, but is in a strong position as Samsung is keen to localise production in Korea and therefore continues to give Eugene more business.

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Performance Attribution Q2 2021

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	**1.1**	**2.3**	**-0.1**	**3.3**
Equity	**1.2**	**2.3**	**-0.1**	**3.4**
Korea	0.1	0.7	0.0	0.9
Indonesia	0.0	0.6	0.0	0.7
Taiwan	0.1	0.3	0.0	0.4
Australia	0.1	0.3	0.0	0.4
Singapore	0.0	0.3	0.0	0.4
Vietnam	0.3	0.0	0.0	0.3
Thailand	0.1	0.0	0.0	0.2
Philippines	0.1	0.1	0.0	0.1
India	0.2	0.0	-0.1	0.1
Malaysia	0.1	0.0	0.0	0.1
China	0.1	-0.1	0.0	0.0
Pakistan	0.0	0.0	0.0	0.0
Hong Kong	0.0	-0.1	0.0	-0.1
Other	**0.0**	**0.0**	**0.0**	**0.0**
Non Equity	**0.0**	**0.0**	**0.0**	**0.0**
Cash	0.0	0.0	0.0	0.0
Foreign Exchange	0.0	0.0	0.0	0.0

Highlights

- The fund finished ahead of its benchmark, with outperformance particularly marked in Korea, Indonesia and Taiwan.
- Chinese online lender 360 released strong results that beat expectations on asset quality.
- Taiwanese substrate producer Kinsus performed well. The ABF market is in short supply, meaning pricing dynamics are very strong. Kinsus is enjoying higher volume growth, better pricing, improving margins, and customers that are even partially funding its capex to ensure supply.
- Restaurant group Xiabuxiabu sold off following an unexpected management change.

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**0.0**	**3.4**	**-0.1**	**3.3**
Equities	**0.1**	**3.4**	**-0.1**	**3.4**
Financials	0.0	2.3	-0.2	2.1
Materials	0.4	0.6	0.0	1.0
Energy	0.1	0.6	0.0	0.7
Real Estate	-0.2	0.7	-0.1	0.4
Information Technology	0.1	0.0	0.1	0.2
Utilities	0.0	0.0	0.0	0.1
Consumer Staples	0.0	0.0	0.0	0.0
Communication Services	0.1	-0.1	0.0	0.0
Industrials	0.0	0.0	0.0	0.0
Health Care	-0.4	0.1	0.0	-0.3
Consumer Discretionary	-0.1	-0.8	0.0	-0.8
Non Equity	**0.0**	**0.0**	**0.0**	**0.0**
Cash	0.0	0.0	0.0	0.0
Foreign Exchange	0.0	0.0	0.0	0.0

Highlights

- At the sector level, outperformance was particularly significant in Financials and Materials.
- Chinese online lenders 360 and LexinFintech are both enjoying improvements in asset quality.
- KWG Living successfully completed some M&A transactions.
- Merdeka benefitted from the rising copper price.
- Chinese data centre company Kingsoft Cloud struggled due to concerns about demand from a key customer.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	360 Digitech	China	Financials	0.91	√
	KWG Living Group	China	Real Estate	0.56	√
	Merdeka	Indonesia	Materials	0.56	√
	Kinsus Interconnect Technology	Taiwan	Information Technology	0.53	√
	LexinFintech	China	Financials	0.37	√
Top Detractors	Xiabu Xiabu	China	Consumer Discretionary	-0.54	√
	21Vianet Group	China	Information Technology	-0.54	√
	Kingsoft Cloud	China	Information Technology	-0.24	√
	Wuxi Biologics	China	Health Care	-0.24	×
	Nio	China	Consumer Discretionary	-0.22	×

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Portfolio Breakdown (%)

	TT Asia ex Japan		MSCI Asia ex Japan
	31 Mar	30 Jun	30 Jun
Australia	2.2	2.2	
China	35.3	37.0	42.8
Hong Kong	2.3	1.7	7.3
India	14.5	14.1	11.3
Indonesia	1.8	0.6	1.3
Korea	23.4	24.0	15.1
Malaysia			1.4
Pakistan			0.0
Philippines	1.7	1.6	0.7
Singapore	2.9	1.1	2.4
Taiwan	14.5	14.8	15.9
Thailand		1.1	1.8
Vietnam	1.0	1.0	
Asia Pacific ex Japan	**99.5**	**99.1**	**100.0**
Cash	0.5	0.9	
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT Asia ex Japan		MSCI Asia ex Japan
	31 Mar	30 Jun	30 Jun
Communication Services	7.9	7.2	11.2
Consumer Discretionary	15.3	14.4	18.5
Consumer Staples	3.2	3.6	4.8
Energy	3.4	3.5	2.5
Financials	14.6	15.9	17.6
Health Care	1.9		5.3
Industrials	7.2	5.5	6.0
Information Technology	26.7	28.0	23.2
Materials	11.2	13.9	4.8
Real Estate	8.1	7.1	3.8
Utilities			2.3
Cash	0.5	0.9	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

March 31, 2021

Security	Country	Weight %
Samsung Electronics	Korea	6.5
TSMC	Taiwan	4.9
Tencent	China	4.8
Alibaba Group	China	4.2
JD.com	China	3.5
Delta Electronics	Taiwan	3.4
Equitas	India	3.4
Hansol Chemical	Korea	3.0
A-Living Services	China	2.4
Kinsus Interconnect Technology	Taiwan	2.3
Top 10 Positions		38.5
Top 20 Positions		57.2
No. of stocks		59

June 30, 2021

Security	Country	Weight %
Samsung Electronics	Korea	5.4
TSMC	Taiwan	4.8
Tencent	China	4.7
Alibaba Group	China	4.1
Equitas	India	3.7
LG Chemical	Korea	3.5
Delta Electronics	Taiwan	3.4
JD.com	China	3.3
SK Hynix	Korea	3.2
KWG Living Group	China	2.9
Top 10 Positions		38.9
Top 20 Positions		60.4
No. of stocks		55