TT INTERNATIONAL

Q2 2023

TT CHINA FOCUS FUND

THIS IS A MARKETING COMMUNICATION

Fund Information

Portfolio Managers
Marco Li

Target Return
5% outperformance per annum on a three-year rolling basis

Expected Capacity
USD 2bn

Comparative Benchmark
MSCI China

Typical Tracking Error
3-6%

Fund Inception
October-2017

Assets under management
Fund: USD 722,095
Strategy: USD 82,369,620

Fund Performance

Past performance does not predict future returns

	Fund Gross	Fund Net	MSCI China	Net Rel.
June	5.2	5.1	4.0	1.0
Q2	-10.4	-10.7	-9.6	-1.2
YTD	-10.8	-11.4	-5.4	-6.3
1 Year	-19.8	-20.9	-16.7	-5.0
3 Year	-13.0	-14.1	-10.1	-4.4
5 Year	-6.1	-7.3	-5.1	-2.3
Incep.	-4.4	-5.7	-4.2	-1.5

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

Returns are in USD

Fund Value (USD mil) 1

Inception 10/10/17

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 China	Rel.	Net Rel.
2017	6.1	5.7	3.4	2.5	2.2
2018	-18.4	-19.5	-18.7	0.4	-0.9
2019	30.4	28.8	23.7	5.5	4.2
2020	35.7	34.0	29.7	4.6	3.4
2021	-22.8	-23.8	-21.6	-1.4	-2.7
2022	-26.9	-27.9	-21.8	-6.5	-7.8
2023	-10.8	-11.4	-5.4	-5.7	-6.3

Q2 2023 Attribution

Sector Allocation	2.0
Security Selection	-3.7
Currency Effect	1.0
Management Effect	**-0.9**

Chinese equities fell on concerns over weaker economic data and persistent geopolitical tensions. The fund saw a negative absolute return, underperforming its benchmark.

Performance

The fund finished behind its benchmark, with outperformance in I.T. and Communication Services more than offset by underperformance in Consumer Discretionary and Financials.

Market Background

Chinese equities fell on concerns over weaker economic data and persistent geopolitical tensions.

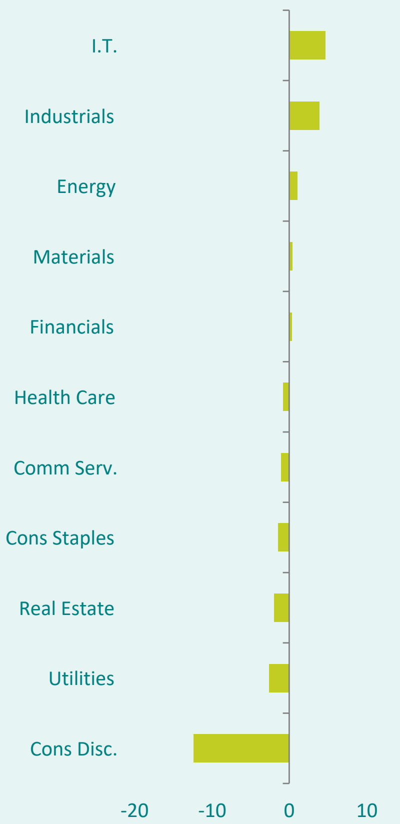
Outlook

Although post-reopening economic data was reasonably encouraging in Q1, it has since weakened quite sharply, with property sales, retail figures and export data all down. One of the main issues has been a general reluctance to spend by consumers that have been scarred by prolonged lockdowns and uncertainty. At the same time, we are starting to see significant pressure on local government finances. Chinese local government entities have limited tax-raising power, and have instead been funding themselves through land sales to property developers for the past 20 years. However, with property developers struggling due to weak demand and excess leverage, local government revenues have dried up. This, combined with the fact that local governments also faced huge covid-related costs last year, means that they are now coming under real pressure. It is likely that property taxes will be rolled out to ease the pressure, but this is clearly negative for consumption, while federal bailouts will also probably become more commonplace over the next few quarters, which is bad for market sentiment. Taking all of the above into account, it would appear that China's reopening dynamic has stalled in Q2, despite strong monetary stimulus and reserve rate cuts.

With this in mind, the portfolio is positioned relatively defensively, with exposure to companies that are more focused on exports, or which are dollar earners.

Given persistent geopolitical tensions and Xi's focus on national security and self-sufficiency, we also have exposure to domestication names as we believe that local champions will be encouraged to take domestic market share from their international competitors. Examples include Beijing Huafeng Test (semiconductor test systems), Proya Cosmetics, Xpeng (autos), Shandong Sinocera (ceramic powder) and Mindray (medical equipment).

Sectors relative to Index %



Portfolio Positioning

Over the quarter we looked to shift some of our domestic positions into companies with more international exposure. For example, we swapped China Construction Bank for HSBC. The Hong Kong economy is performing well, whilst HSBC is seeing good earnings momentum, partly because the HIBOR rate has remained elevated.

Another related example is Galaxy Entertainment Group, which operates casinos in Macao. Hong Kong visitors to Macao are back to 2019 levels. Galaxy was able to cut its operating costs by one-third during Covid, so now has significant operating leverage as visitor numbers and revenues recover.

We also added to companies with US dollar earnings such as copper and gold miner Zijin.

Conversely, we sold snack company Zhou Hei Ya as we saw increasing earnings risk, given that consumers are prioritising savings.

Elsewhere AK Medical was sold due to a corporate governance red flag, with the chairman writing options on the stock he owned to generate an income.

Finally, Sungrow was sold following strong performance.

Stock Focus

Baidu (Communication Services)

Baidu is a technology company specialising in internet -related services and AI. It performed well over the quarter on optimism around the latter. After decades of research, AI has gone mainstream and the hype appears to be justified. Language is fundamentally a shared representation of the world, and by recognising patterns to identify relationships between words, AI can learn a usable model of the world. Whilst being able to pass the Turing Test and appear to demonstrate human-like intelligence is impressive, the real reason that Large Language Models are so profoundly transformative is that, by understanding the nature of language, they understand the world. This powerful technology could automate between 15-50% of work tasks in today's economy. Clearly this will be hugely disruptive, with a total addressable market of somewhere between massive and revolutionary. Baidu is one of the only companies in China that has a broad-based large language model similar to ChatGPT. It also has a robotaxi company which operates the largest fleet of robotaxis in China. Despite these high-growth businesses, Baidu trades on just 13.5x 2024 earnings, with around 30% of market cap in net cash on the balance sheet. It is also undertaking a share buyback programme.

Performance Attribution Q2 2023

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

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**2.0**	**-3.7**	**1.0**	**-0.9**
Equities	**1.2**	**-3.7**	**0.8**	**-1.7**
Information Technology	0.2	0.6	0.1	0.8
Communication Services	0.1	0.5	0.0	0.6
Energy	0.1	0.1	0.0	0.2
Real Estate	0.1	-0.2	0.0	-0.1
Industrials	0.2	-0.5	0.2	-0.1
Consumer Staples	0.0	-0.3	0.1	-0.2
Utilities	-0.2	0.0	0.0	-0.2
Materials	0.0	-0.5	0.1	-0.3
Health Care	0.1	-0.6	0.1	-0.4
Financials	0.2	-1.4	0.2	-1.0
Consumer Discretionary	0.3	-1.3	0.0	-1.1
Non Equity	**0.8**	**0.0**	**0.1**	**0.9**
Cash	0.7	0.0	0.0	0.7
Futures	0.1	0.0	0.0	0.1

Highlights

- The fund finished behind its benchmark, with outperformance in I.T. and Communication Services more than offset by underperformance in Consumer Discretionary and Financials.
- The fund’s main winners were defensive stocks including TSMC, which benefited from optimism around AI, and Sinopec, which has a dividend yield of almost 10%.
- Netease performed well on optimism over new game launches.
- As a lender to SMEs, Lufax is considered a high-beta name and therefore struggled in the risk-off environment, despite improving fundamentals over the quarter.
- Not owning car manufacturers Li Auto and BYD hurt the fund as they rallied on expectations of new product launches.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	TSMC	Taiwan	Information Technology	0.49	√
	Netease	China	Communication Services	0.26	√
	Li Ning	China	Consumer Discretionary	0.21	×
	Yili	China	Consumer Staples	0.20	√
	Sinopec	China	Energy	0.20	√
Top Detractors	Lufax Holdings	China	Financials	-0.45	√
	Mingyang	China	Industrials	-0.42	√
	EC Healthcare	Hong Kong	Consumer Discretionary	-0.36	√
	Li Auto	China	Consumer Discretionary	-0.34	×
	Oriental Yuhong	China	Materials	-0.30	√

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Sector Allocation (%)

	TT China Focus		MSCI China
	31 Mar	30 Jun	30 Jun
Communication Services	16.6	18.7	19.8
Consumer Discretionary	24.0	16.4	28.7
Consumer Staples	5.5	4.3	5.8
Energy	3.1	4.1	3.0
Financials	16.2	16.7	16.3
Health Care	7.0	4.7	5.5
Industrials	9.1	9.5	5.6
Information Technology	6.0	10.9	6.2
Materials	4.8	3.8	3.3
Real Estate	1.8	1.2	3.1
Utilities			2.6
Cash	5.8	9.7	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

March 31, 2023			June 30, 2023		
Security	**Country**	**Weight %**	**Security**	**Country**	**Weight %**
Alibaba Group	China	9.3	Tencent	China	9.4
Tencent	China	8.8	Alibaba Group	China	7.4
Meituan Dianping	China	6.0	HSBC	Hong Kong	5.2
JD.com Inc	China	4.8	TSMC	Taiwan	5.1
China Construction Bank	China	3.9	Baidu	China	4.6
Qifu Technology	China	3.2	Ping An Insurance	China	4.1
Ping An Insurance	China	2.8	Meituan Dianping	China	4.0
Yili	China	2.7	Qifu Technology	China	3.3
Netease	China	2.6	CATL	China	3.2
Lufax Holdings	China	2.4	Sinopec	China	3.1
Top 10 Positions		46.5	Top 10 Positions		49.4
Top 20 Positions		66.9	Top 20 Positions		70.8
No. of stocks		43	No. of stocks		37

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Additional Fund Performance Information:

Fund 12-Month Discrete Periods (%)					
	Jul 22 - Jun 23	Jul 21 - Jun 22	Jul 20 - Jun 21	Jul 19 - Jun 20	Jul 18 - Jun 19
Gross of fees	-19.8	-42.4	42.7	11.5	-0.6
Net of fees	-20.9	-43.2	41.0	10.1	-1.9
Index	-16.7	-31.7	27.5	13.3	-6.5
Relative (gross)	-3.8	-15.7	11.9	-1.6	6.4
Relative (net)	-5.0	-16.8	10.5	-2.8	5.0

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.