Q3 2022

TT EMERGING MARKETS EQUITY FUND

Fund Information

Portfolio Managers
Niall Paul | Robert James

Target Return
3% outperformance per annum on a three-year rolling basis

Expected Capacity
USD 6bn + USD 1bn for existing clients

Benchmark
MSCI Emerging Markets Index

Typical Tracking Error
4-7%

Fund Inception
March-2011

Assets under management
Fund: USD 542,573,317
Strategy: USD 4,136,931,369

Fund Performance

	Fund Gross	MSCI EM	Rel.
September	-11.7	-11.7	-0.1
Q3	-13.0	-11.4	-1.7
YTD	-31.5	-26.9	-6.3
1 Year	-33.4	-27.8	-7.8
3 Year (ann)	-2.1	-1.7	-0.4
5 Year (ann)	-1.4	-1.4	0.0
Incep. (ann)	3.0	0.5	2.5

Returns are gross of fees in USD

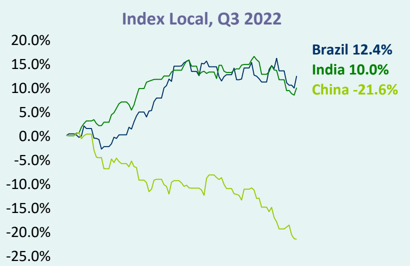
Fund Value (USD mil) 543

Inception 30/03/11

Q3 2022 Attribution

Country Allocation	0.2
Security Selection	-2.5
Currency Effect	0.6
Management Effect	**-1.7**

Markets



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

EM equities sold off sharply in Q3 amid a perfect storm of Fed rate hikes, dollar strength and global recession fears. The fund produced a negative absolute return, underperforming its benchmark.

Performance

The fund finished behind its benchmark, with outperformance in Argentina, Mexico and UAE more than offset by underperformance in China and India.

Market Background

EM equities sold off sharply in Q3 amid a perfect storm of Fed rate hikes, dollar strength and global recession fears.

Outlook

EM equities have been very weak amid a deteriorating global macro picture, a decidedly hawkish Fed, and a strong dollar. Added to these global headwinds are EM-specific risks, particularly China and its property market woes. Most indicators of short-term sentiment are now extremely bearish, be it RSI measures, cash balances, or options market positioning. At the time of writing in early October, we have just seen equity markets lurch higher, despite a lack of meaningful catalysts, which also demonstrates that positioning is light. Against this backdrop, it is certainly possible that a bear market rally could become self-sustaining in the short term, but ultimately we believe it is unlikely that we have seen the market lows for this cycle. Indeed, earnings downgrades are likely to get sequentially worse as we move into 2023 as the weight of higher inflation and interest rates bears down on consumers and corporates alike.

In China we see an extreme valuation case for continuing to hold our core ADR positions in Alibaba and 360 Digitech. We believe the PCAOB auditing development represents a positive step forward, though clearly the proof will be in how the actual audit of Alibaba proceeds. Given that valuations seem to be completely disconnected from fundamentals, we see limited downside from here, but accept that having patience and a ‘plan B’ such as the dual primary listing that Alibaba is pursuing will be critical. We also recognise that risks relating to the property market and tensions over Taiwan are growing. Set against these downside risks are the potential for upside surprises following the Chinese Communist Party Congress. For example, there is considerable optimism around the potential for a better balance to be struck in the new core leadership team, with Wang Yang recognised as a leading economic reformer. There is also a small likelihood of a slight relaxation of covid controls, albeit at this stage the government appears to be sticking with its zero-covid policy.

Korea stands out as the cheapest market in Asia, trading at 0.8x trailing P/B and 8x forward P/E. It is traditionally regarded as a cyclical play on the global economy, and with a high degree of export dependency that view is valid. However, we also believe that Korea is favourably exposed to one of the most attractive structural opportunities globally, namely the EV battery sector. We have exposure to Hansol Chemical, a leading manufacturer of anode binder and battery tape. Valuations within the EV battery supply chain have become increasingly attractive in our view. Whilst we acknowledge that auto sales face cyclical headwinds, auto volumes have been constrained over the past few years by a lack of supply. Inventories are low, and this should limit the degree to which overall auto volumes fall from here. Meanwhile, governments and auto OEMs remain committed to the phasing out of internal combustion engines. Consequently, the model choice available to those who may wish to purchase an EV will grow substantially over the coming years. Each progressive iteration of battery technology will bring greater range and faster charging, enhancing the core appeal of owning an EV. For example, battery makers will seek to improve fast charging through using silicon anode material. Hansol Chemical aims to profit from this trend by selling such material. We have also added to our Korean memory exposure through SK Hynix as we see the recently announced capex cuts from Micron as a strong indication of supply discipline in the market.

Elsewhere in Asia, we have written at length about our constructive outlook on India, particularly the private-sector banks. We continue to run these positions, but they have performed very well of late, leading us to take some profits in several names.

Moving to LatAm, Brazil is certainly worthy of mention given the ongoing election. Voting results thus far point to a reasonably market friendly outcome in that Lula is likely to win, unless he does something that alienates his core voter base, but Parliament has gone centre-right, which should constrain any extreme policies. We are constructive on the market and added to several positions, but are cognisant that it has performed well, and so we are unlikely to be adding significantly to exposure from here.

Finally, we remain overweight Mexico, which is cheap relative to its own history and could be a defensive outperformer in difficult markets as it has been run in a fiscally prudent manner by AMLO. We continue to hold Cemex and Banorte in this market.

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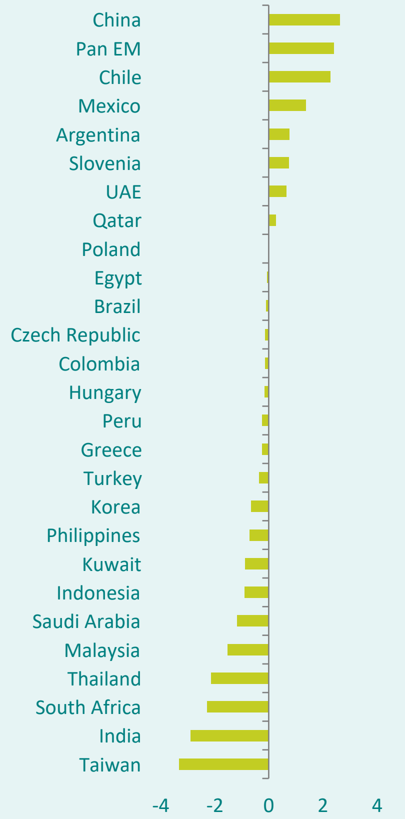
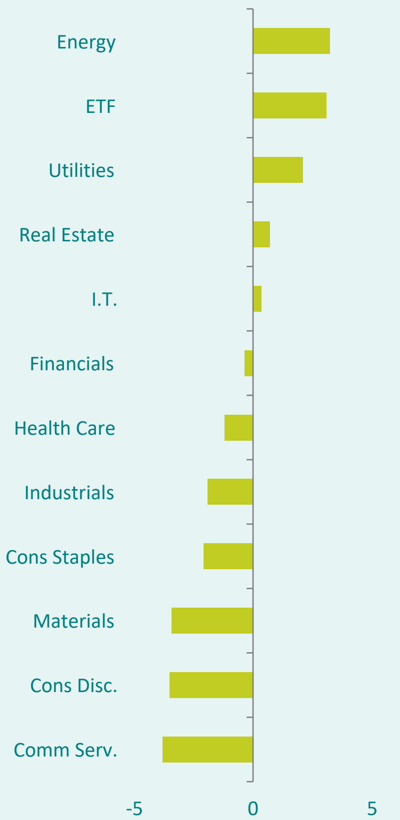
Country relative to Index %



Sectors relative to Index %



Portfolio Positioning

In China we used strong performance to sell EVE Energy due to concerns over slowing EV demand off a high base in China and efforts by the US to curtail Chinese battery players in the North American market. The proceeds were used to build positions in specialist medical glass producer Shandong Pharmaceutical and Longi. The latter is the world's largest solar wafer and module manufacturer. Solar projects have been put on pause due to a high polysilicon price. However, with the supply of polysilicon likely up 80% YoY in 2023, we believe the price will fall substantially, releasing the pent-up demand for solar installations and benefitting Longi. Another purchase in China was JD Logistics, the cost centre for JD.com that was spun out in an IPO in 2021. It is now transitioning into a revenue centre as its business expands to third party clients and utilisation improves. Tight Covid controls in China benefit JD Logistics as more clients need delivery, warehousing and logistics services, but look to cut costs by employing larger operators with scale benefits. Since its IPO last year, JD Logistics has already transitioned from a loss making entity to one that is generating profits, and should continue to grow the bottom line as its scale ramps up.

Conversely, we took some profits in our Indian Financials after strong performance.

Elsewhere, we bought several defensive businesses such as Heineken, acknowledging the significant risks facing the global economy and the potential for further market volatility ahead.

Finally, we bought South African bank Absa. It used to be owned by Barclays, which recently sold the final block of its stake, thereby removing the overhang on the shares. Absa has underperformed relative to sector peers over the past few years. However, it has recently seen an inflection point in its market share, and we see an opportunity to reduce the cost base.

Stocks

Below we highlight a major winner and a major loser:

Assai

Assai is a Brazilian cash and carry operator that recently bought a number of hypermarket stores from CBD. By converting these stores into its cash and carry format, Assai expects to achieve a 3x higher sales density, and to increase margins significantly. Overall trading has been strong, and Assai should benefit from consumers downtrading amid tougher macro conditions. The shares rallied as investors became more confident that Assai could successfully transition the hypermarkets into its lucrative cash and carry format.

Jia Yuan

Jia Yuan is the leading EV battery copper foil manufacturer in China. Thanks to its close relationship with CATL, Jia Yuan is the market leader in ultra-thin 4.5um copper foil, which helps to improve energy density and supports high voltage charging. The stock underperformed as its long-anticipated growth-funding capital raise acted as an overhang. The whole EV space has also generally been under pressure due to fears over the impact of slowing global growth on auto sales. The Chinese EV space has performed particularly poorly as the US IRA is designed to benefit EV supply chain companies operating outside of China by making batteries ineligible for subsidies if components are made in China. We believe that Jia Yuan is very cheap on 11-12x forward earnings for a business that can grow almost 50% a year. Korean rivals are trading at 3-4 times this multiple. We continue to hold the stock and await catalysts in the form of EV penetration growth, an 800V fast charging roll-out, and high energy density demand from new battery technology.

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Performance Attribution Q3 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	**0.2**	**-2.5**	**0.6**	**-1.7**
Equity	**-0.1**	**-2.5**	**0.5**	**-2.2**
Top/Bottom 5 EM Countries	**0.2**	**-1.9**	**0.4**	**-1.3**
Argentina	0.4	0.2	-0.2	0.4
Mexico	0.0	0.3	0.1	0.4
UAE	0.0	0.2	0.0	0.3
South Africa	-0.1	0.1	0.2	0.1
Poland	0.1	0.0	0.0	0.1
Taiwan	0.1	-0.4	0.1	-0.2
Saudi Arabia	-0.1	-0.1	0.0	-0.3
Korea	0.0	-0.5	0.0	-0.6
India	-0.3	-0.4	0.0	-0.7
China	0.2	-1.3	0.3	-0.8
Rest of World	**-0.3**	**-0.6**	**0.1**	**-0.8**
Non Equity	**0.3**	**0.0**	**0.2**	**0.4**
Cash	0.4	0.0	0.3	0.7
Futures	-0.1	0.0	0.0	-0.1
Foreign Exchange	0.0	0.0	-0.2	-0.2

Highlights

- The fund finished behind its benchmark, with outperformance in Argentina, Mexico and UAE more than offset by underperformance in China and India.
- Globant rebounded from oversold levels.
- Banorte released strong results, with a low cost of risk, high single digit loan growth, and significant margin expansion.
- EMAAR Properties traded higher in Q3. Its hotels and malls in UAE are performing strongly, and real estate prices have been firm.
- Jia Yuan underperformed as its long-anticipated growth-funding capital raise acted as an overhang.
- The fund lost out by not owning ICICI Bank, but this was more than offset by the positive impact of holding IndusInd Bank and HDFC Bank.

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**0.7**	**-3.1**	**0.6**	**-1.7**
Equities	**0.4**	**-3.1**	**0.5**	**-2.2**
Financials	0.0	0.5	0.1	0.6
Communication Services	0.5	0.0	0.0	0.5
Information Technology	0.0	0.4	-0.2	0.2
Health Care	0.0	0.1	0.0	0.1
Real Estate	-0.1	0.0	0.1	0.0
Consumer Staples	-0.2	0.0	0.1	-0.1
Utilities	0.2	-0.5	0.1	-0.2
Industrials	0.0	-0.6	0.2	-0.4
ETF	-0.6	0.0	0.1	-0.4
Materials	-0.2	-0.5	0.2	-0.5
Energy	0.3	-1.0	-0.2	-0.8
Consumer Discretionary	0.4	-1.4	0.0	-1.0
Non Equity	**0.3**	**0.0**	**0.2**	**0.4**
Cash	0.4	0.0	0.3	0.7
Futures	-0.1	0.0	0.0	-0.1
Foreign Exchange	0.0	0.0	-0.2	-0.2

Highlights

- At the sector level, outperformance in Financials and Communication Services was outweighed by underperformance in Consumer Discretionary and Energy.
- Our Indian Financials performed well due to accelerating loan growth and benign credit costs.
- S-Oil struggled as oil refining margins have fallen from record levels earlier in the year. We believe that margin levels will rebound again, particularly as supply is not increasing due to a lack of investment in refineries as a result of the green energy transition.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	IndusInd Bank	India	Financials	0.73	√
	HDFC Bank	India	Financials	0.66	√
	Banorte	Mexico	Financials	0.46	√
	Assai	Brazil	Consumer Staples	0.41	√
	EMAAR Properties	UAE	Real Estate	0.39	√
Top Detractors	Alibaba Group	China	Consumer Discretionary	-1.02	√
	Jia Yuan	China	Industrials	-0.64	√
	A-Living Services	China	Real Estate	-0.46	√
	KraneShares	China	ETF	-0.45	√
	360 Digitech	China	Financials	-0.36	√

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Portfolio Breakdown (%)

	TT GEMS		MSCI EM
	30 Jun	30 Sep	30 Sep
Czech Republic			0.1
Egypt	0.1		0.1
Greece			0.3
Hungary			0.2
Kuwait			0.9
Poland	0.5	0.5	0.5
Qatar	1.8	1.5	1.3
Russia	0.1		
Saudi Arabia	2.6	3.6	4.8
Slovenia	0.7	0.8	
South Africa	0.0	1.2	3.5
Turkey			0.4
UAE	1.6	2.1	1.4
EMEA	**7.5**	**9.7**	**13.3**
China	37.3	34.0	31.3
India	13.1	12.4	15.3
Indonesia	0.9	1.3	2.2
Korea	10.3	10.0	10.7
Malaysia	1.0		1.5
Philippines			0.7
Taiwan	10.0	10.5	13.8
Thailand			2.1
Emerging Asia	**72.7**	**68.3**	**77.7**
Argentina	1.4	0.8	
Brazil	6.3	5.6	5.8
Chile	2.6	2.9	0.6
Colombia			0.1
Mexico	2.9	3.6	2.2
Peru			0.2
Latin America	**13.2**	**12.9**	**9.0**
Pan EM	**0.0**	**2.4**	**0.0**
Cash	4.5	6.8	
Futures	2.1		
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT GEMS		MSCI EM
	30 Jun	30 Sep	30 Sep
Communication Services	6.3	5.9	9.7
Consumer Discretionary	10.2	10.5	14.0
Consumer Staples	3.7	4.5	6.6
Energy	9.4	8.5	5.3
ETF	3.4	3.1	
Financials	18.9	22.2	22.6
Health Care	0.4	2.7	3.9
Industrials	5.4	3.9	5.8
Information Technology	17.2	18.6	18.3
Materials	10.0	5.3	8.7
Real Estate	2.8	2.7	2.0
Utilities	5.7	5.3	3.2
Cash	4.5	6.8	
Futures	2.1		
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

June 30, 2022

Security	Country	Weight %
TSMC	Taiwan	8.9
Alibaba Group	China	8.0
Tencent	China	5.0
Samsung Electronics	Korea	3.5
KraneShares	China	3.4
HDFC Bank	India	3.3
Reliance Industries	India	2.6
Barrick Gold	Chile	2.6
360 Digitech	China	2.4
Eletrobras	Brazil	2.2
Top 10 Positions		41.9
Top 20 Positions		59.0
No. of stocks		58

September 30, 2022

Security	Country	Weight %
TSMC	Taiwan	8.8
Alibaba Group	China	6.4
HDFC Bank	India	4.2
Tencent	China	4.0
Samsung Electronics	Korea	3.8
KraneShares	China	3.1
Barrick Gold	Chile	2.9
China Three Gorges New Energy	China	2.3
KB Financial Group	Korea	2.3
Banorte	Mexico	2.2
Top 10 Positions		40.1
Top 20 Positions		59.1
No. of stocks		61