TT INTERNATIONAL

Q4 2022

TT EM UNCONSTRAINED FUND

THIS IS A MARKETING COMMUNICATION

Fund Information

Portfolio Managers
Robert James | Niall Paul | Diego Mauro

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

Expected Capacity
USD 1.25bn + USD 0.25bn for existing clients

Comparative Benchmark
MSCI Emerging Markets Index

Typical Tracking Error
6-10%

Fund Inception
June-2015

Assets under management
Fund: USD 524,812,843
Strategy: USD 1,065,134,331

Fund Performance

Past performance does not predict future returns

	Fund Gross	Fund Net	MSCI EM	Gross Rel.	Net Rel.
December	-0.2	-0.3	-1.4	1.1	1.0
Q4	10.2	9.9	9.8	0.4	0.1
2022	-25.2	-26.1	-19.7	-6.9	-8.0
1 Year	-25.2	-26.1	-19.7	-6.9	-8.0
3 Year	-1.9	-3.1	-2.3	0.4	-0.8
5 Year	0.3	-1.0	-1.0	1.3	0.1
Incep.	6.8	5.5	2.4	4.3	3.0

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

Fund Value (USD mil) 525

Inception 26/06/15

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 EM	Gross Rel.	Net Rel.
2022	-25.2	-26.1	-19.7	-6.9	-8.0
2021	-1.8	-3.0	-2.2	0.4	-0.7
2020	28.5	27.0	18.7	8.2	7.0
2019	28.7	27.1	18.9	8.2	6.9
2018	-16.6	-17.7	-14.2	-2.7	-4.0
2017	42.0	40.1	37.8	3.1	1.7
2016	25.6	23.9	11.6	12.5	11.0
2015	-9.1	-9.7	-18.3	11.3	10.6

EM equities rallied from oversold levels in Q4. Chinese stocks were particularly strong as the government pivoted away from its zero-covid policy. The fund saw a positive absolute return, outperforming its benchmark.

Performance

The fund finished ahead of its benchmark, with outperformance particularly notable in India and Korea.

Market Background

EM equities rallied as China pivoted away from its economically disastrous zero-covid policy.

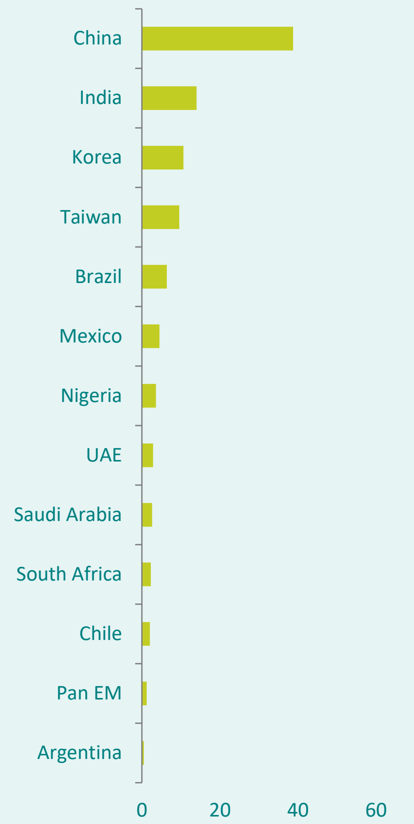
Outlook

We expect a year of two halves in 2023, with market behaviour largely determined by the policy path of the US Fed, which in turn will be driven by inflation dynamics. The main factor driving higher inflation has arguably been the energy crisis. However, there is growing evidence that this will not be as problematic as many feared. At one stage there were concerns about an absolute shortage of gas in Europe this winter. In reality we have storage near record highs for this time of year, partly due to exceptionally mild weather thus far. Gas prices are therefore falling very rapidly, and power prices should follow. Prices of many other commodities such as oil and wheat are also dropping. While this should eventually ease the pressure on Fed, wage growth appears to be stubbornly high, which will make it difficult for the US central bank to cut rates for some time, as it would almost certainly be a grave policy error if it began to ease before the problem of inflation is defeated unequivocally. In our view, markets have got ahead of themselves in pricing a Fed policy pivot, and we therefore expect dollar strength to reassert itself over the next few months, as well as further equity market volatility. This is particularly the case as PMIs and other leading economic indicators are still contracting. Typically, equities do not begin to rally sustainably until such metrics have troughed and are beginning to rebound.

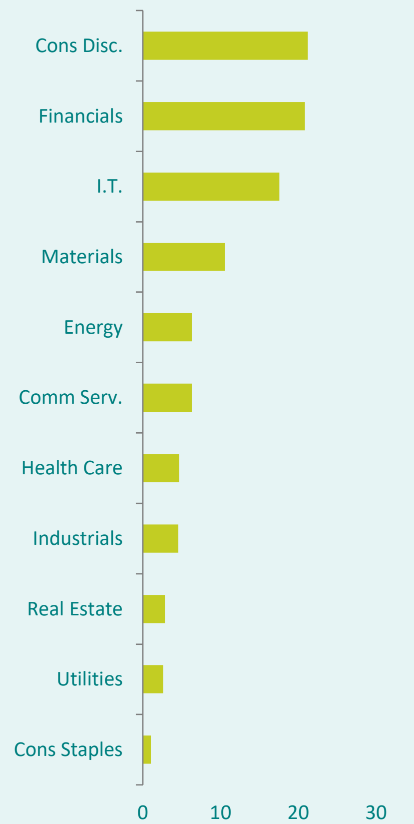
Whilst we remain cautious on the outlook for the next few months, we are very constructive on the setup for EM equities in the medium term. Once the Fed pivots and PMIs trough, we should be in a situation where the dollar is weakening sequentially, EM equities trade at an anomalous discount to their DM counterparts, and EM economic growth looks increasingly attractive compared to the developed world, particularly as EM central banks have huge scope to cut rates once the Fed pivots, boosting growth further. This is true of Brazil, South Africa, Mexico and many other countries. Moreover, EM equities should receive another boost from ongoing positive developments in the largest market, China. If we rewind to early 2022, Shanghai was locked down, geopolitical tensions were flaring up after Putin's invasion of Ukraine, and there was a serious prospect of US-listed Chinese stocks being de-listed. Meanwhile, the Chinese property market was in crisis, and equity markets were at significantly higher levels than they are now. Fast-forward to the present day, and China is now pivoting away from its economically ruinous zero-covid policy, albeit with a somewhat chaotic reopening that will sadly lead to significant mortality rates. Sino-US geopolitical tensions have improved slightly, with Presidents Xi and Biden holding a three-hour meeting at the G20. In other positive news, the US-based Public Company Accounting Oversight Board announced that it had received all the necessary information to prevent a forced de-listing of US-listed Chinese companies in the near term. At the same time, the real estate sector is now being underpinned by the government, with 'extend and pretend' on leverage likely to postpone a systemic crisis. And Chinese equities, despite their recent rally, are trading at a significant discount to other major markets. Given the developments outlined above, we are overweight China, and have increased our exposure in recent weeks as we expect China to continue outperforming in the near term. However, our optimism and positive positioning are tempered by the fact that many of the long-term issues have not been addressed. The governance model has seen power increasingly concentrated in the hands of one man, making policy direction unpredictable, while demographics continue to deteriorate and leverage remains extremely high.

From a thematic perspective, many of our key positions reflect our view that rates will remain higher for longer, partly due to stubborn wage inflation. For example, in I.T. we are overweight names such as Samsung and TSMC, which are very lowly rated relative to their historical multiples, and already appear to be pricing in a recession. By contrast, we are largely eschewing 'long duration' Tech companies with no earnings as we believe that they will continue to face headwinds in a world where rates remain elevated. We have also been adding marginally to Financials as they should continue to benefit from higher net interest margins and relative stability in asset quality. Meanwhile in China we are exposed to businesses that should gain from reopening, including both the lowly rated internet and ecommerce platforms, as well as more direct beneficiaries. Finally, although we are still committed to the environmental thematic, where policy tailwinds remain, we are conscious of over-ownership and the investment universe being crowded. Where we have exposure in these areas, it is where we see good momentum behind earnings, rather than simply because they should see further government support. Examples include solar companies, where falling polysilicon prices should boost margins materially, as well as EV battery components.

Absolute Country Weights %



Absolute Sector Weights %



Portfolio Positioning

Over the quarter we bought Chinese e-commerce platform JD.com, whose core business was trading on less than 4x earnings when we initiated the position. It has improved profitability significantly over the past few years and is growing strongly. Another purchase was Chinese wind turbine manufacturer Ming Yang. We believe that wind installations next year will exceed market expectations, and find the valuation to be attractive. Elsewhere in China we bought Anhui Conch Cement, which should benefit from reopening and a general normalisation in the country. Another addition was Chinese solar inverter company Sungrow as we expect polysilicon prices to continue falling, making solar more competitive and leading to stronger demand for Sungrow's products. Longi was sold to fund this transaction as we see less upside there. The final noteworthy purchase in China was leading dairy brand Yili, which is taking significant market share and should benefit from higher demand due to economic reopening, while lower input costs should improve margins. Sales in China generally reflected waning momentum and over-ownership in some of the environmental names. For example, we sold smart grid company Nari as we felt it was becoming catalyst-light and was within 10% of our price target.

In Korea we bought Samsung Biologics, which predominately manufactures biologic and biosimilar drugs. In many ways, the growth trends that we are seeing in biologics closely resemble those that have been witnessed in the semiconductor industry. We believe Samsung Biologics is well placed to capture this opportunity, particularly from businesses that are looking to diversify their manufacturing exposure away from China to countries such as Korea, where Samsung has three existing plants, a fourth that is ramping up, and is in talks to add two more. The company is winning incrementally more orders on better terms, thereby boosting its margins.

In India we bought PVR as we are very positive on its merger with INOX, the country's second-largest multi-screen cinema operator. We believe PVR manages its cinemas better than INOX, as evidenced by higher occupancy rates, greater sales of food and beverage, and more revenue from advertising. If PVR can apply its operational excellence to INOX and gain synergies from the joint operations then the merger should be significantly accretive to earnings. From a valuation perspective we also see substantial upside.

In LatAm we purchased Brazil-based Hapvida, a fully integrated healthcare provider with its own hospitals. After merging with another healthcare company, it has significant scope to extract synergies from the deal, and to improve growth and profitability. We also bought Lojas Renner, a high-quality clothing retailer trading on trough earnings multiples. Conversely, we took profits in Vale and Petrobras in Brazil. The latter is now more likely to use its balance sheet to invest in renewables projects with poor returns. Indeed, the company has a history of overspending on projects with limited returns when the Workers' Party is in power.

In MENA we bought Americana, the largest restaurant franchise operator in the region. It is restructuring by closing down inefficient restaurants and targeting an EBITDA improvement of 300bps over the next couple of years. We see it as an exciting compounder.

Stocks

Below we highlight a major winner and a major loser:

360 Digitech

360 Digitech is a non-banking financial in China that we have been constructive on for multiple years. It sold off heavily during the first three quarters of 2022, partly due to concerns over the longevity of its US ADR listing. However, the shares performed well in Q4 after the PCAOB announced that it had received all the necessary information to prevent a forced de-listing of US- listed Chinese companies. In any case, 360 Digitech recently successfully completed a dual listing in Hong Kong. Its Q3 results also demonstrated an improvement in asset quality and resilient loan growth, which investors were concerned about, given the performance of the underlying economy. We believe 360 is well positioned to benefit from a return of risk appetite in China. The Chinese financial sector as a whole is mostly state owned. This non-banking financial is far more retail focussed and is not linked to the real estate sector. In our view it is therefore a much cleaner way of playing a consumer recovery in China than any of the larger banks.

Eletrobras

Eletrobras is a Brazilian electric utilities company that has recently been privatised and now has a good opportunity to pursue reforms to improve historically low returns. Unsurprisingly, as a long-duration utility company, Eletrobras struggled against a backdrop of rising yields in Brazil. Such rises were prompted by the left-leaning tone of President Lula's first speech and the announcement of a Workers' Party politician as Minister of Finance. The market was starting to price interest rate cuts before the elections, but with the prospect of Lula trying to increase social spending, investors began to price in rate rises as a way to moderate fiscal policy. We believe the market has become too extreme in pricing further rate increases when SELIC is over 13% while inflation is around 6%. Sentiment appears overly depressed and the currency looks attractively valued. We are seeking to maintain exposure to domestic stocks that can benefit from potential currency appreciation, whilst cutting exposure to exporters.

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Performance Attribution Q4 2022

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

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	360 Digitech	China	Financials	1.76	√
	Dada Nexus	China	Consumer Discretionary	0.33	√
	JD.com Inc	China	Consumer Discretionary	0.29	√
	KB Financial Group	Korea	Financials	0.28	√
	Petroreconcavo SA	Brazil	Energy	0.22	√
Top Detractors	Tencent	China	Communication Services	-0.47	√
	Wuliangye Yibin	China	Consumer Staples	-0.29	√
	Jia Yuan	China	Industrials	-0.29	√
	Piramal Pharma Ltd	India	Health Care	-0.28	√
	EMAAR Properties	UAE	Real Estate	-0.26	√

Highlights

- The fund finished ahead of its benchmark, with outperformance particularly notable in India and Korea.
- Ujjivan Financial Services, HDFC Bank and Axis Bank were winners over the quarter. Results in the Indian Financials space have generally been strong, with significant improvements in net interest margins.
- 360 Digitech bounced from heavily oversold levels as it is a beneficiary of Chinese reopening. 360 is an unsecured lender that should see a decline in non-performing loans and a reacceleration in growth as China's economy opens up.
- The fund was hurt by its exposure to Chinese internet companies, which struggled at the beginning of the period, and also lagged in the subsequent rally, which was led by property and reopening stocks. Thankfully the market rally has begun to broaden out at the start of 2023.
- Eletrobras and several other Brazilian names were among the biggest detractors as investor concerns grew over the direction of economic policy following Lula's victory.
- At the sector level, outperformance was particularly marked in Financials and Consumer Discretionary.
- KB Financial performed well as Korean banks are broadly benefitting from net interest margin expansion. KB also announced that it was looking to return capital to shareholders by increasing its dividend payout ratio, as well as buying back and cancelling shares.
- In a general sense, many of the detractors such as UAE property company EMAAR were in markets that saw outflows as investors repositioned into China.

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Portfolio Breakdown (%)

	TT EM Unconstrained		MSCI EM
	30 Sep	31 Dec	31 Dec
Czech Republic			0.1
Egypt			0.1
Greece			0.3
Hungary			0.2
Kuwait			0.9
Nigeria	3.8	3.6	
Poland			0.7
Qatar	1.1		1.0
Saudi Arabia	2.5	2.6	4.1
South Africa	1.2	2.3	3.7
Turkey			0.7
UAE	2.1	2.8	1.3
EMEA	**10.8**	**11.3**	**13.2**
China	36.0	38.7	32.3
India	12.8	14.0	14.4
Indonesia			1.9
Korea	11.6	10.6	11.3
Malaysia			1.6
Philippines			0.7
Taiwan	11.0	9.5	13.8
Thailand			2.2
Emerging Asia	**71.4**	**72.9**	**78.3**
Argentina		0.5	
Brazil	4.8	6.3	5.3
Chile	2.5	2.1	0.6
Colombia			0.1
Mexico	4.7	4.5	2.3
Peru			0.3
Latin America	**12.0**	**13.3**	**8.5**
Pan EM	**0.0**	**1.2**	**0.0**
Cash	5.9	1.3	
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT EM Unconstrained		MSCI EM
	30 Sep	31 Dec	31 Dec
Communication Services	5.2	6.3	9.9
Consumer Discretionary	9.8	21.2	14.1
Consumer Staples	1.7	1.1	6.4
Energy	12.1	6.3	4.9
ETF	1.7		
Financials	18.9	20.9	22.1
Health Care	3.6	4.7	4.1
Industrials	5.6	4.6	6.1
Information Technology	19.6	17.6	18.6
Materials	7.1	10.6	8.9
Real Estate	3.9	2.8	1.9
Utilities	5.0	2.7	3.0
Cash	5.9	1.3	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

September 30, 2022

Security	Country	Weight %
TSMC	Taiwan	9.2
Alibaba Group	China	7.4
Samsung Electronics	Korea	4.5
360 Digitech	China	4.1
Savannah Energy	Nigeria	3.8
Tencent	China	3.8
Barrick Gold	Chile	2.5
HDFC Bank	India	2.5
Reliance Industries	India	2.2
EMAAR Properties	UAE	2.1
Top 10 Positions		42.1
Top 20 Positions		60.2
No. of stocks		62

December 31, 2022

Security	Country	Weight %
TSMC	Taiwan	8.2
Alibaba Group	China	7.6
Samsung Electronics	Korea	5.1
360 Digitech	China	4.9
Savannah Energy	Nigeria	3.6
EMAAR Properties	UAE	2.8
Tencent	China	2.8
HDFC Bank	India	2.7
JD.com Inc	China	2.3
Axis Bank	India	2.3
Top 10 Positions		42.2
Top 20 Positions		60.8
No. of stocks		60

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Additional Fund Performance Information:

Fund 12-Month Discrete Periods (%)

	Jan 22 - Dec 22	Jan 21 - Dec 21	Jan 20 - Dec 20	Jan 19 - Dec 19	Jan 18 - Dec 18
Gross of fees	-25.2	-1.8	28.5	28.7	-16.6
Net of fees	-26.1	-3.0	26.9	27.1	-17.7
Index	-19.7	-2.2	18.7	18.9	-14.2
Relative (gross)	-6.8	0.4	8.2	8.2	-2.7
Relative (net)	-8.0	-0.7	7.0	6.9	-4.0

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.