

Fund Information

Portfolio Managers

Robert James | Diego Mauro | Niall Paul

Target Return

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

Comparative Benchmark

MSCI Emerging Markets Index

Typical Tracking Error

6-10%

Fund Inception

June-2015

Assets under management

Fund: USD 839,074,103

Strategy: USD 1,345,776,933

Fund Performance

Past performance does not predict future returns

	Fund Gross	Fund Net	MSCI EM	Gross Rel.	Net Rel.
December	4.2	4.1	3.9	0.2	0.1
Q4	8.7	8.4	7.9	0.7	0.4
2023	10.3	9.0	10.3	0.0	-1.2
1 Year	10.3	9.0	10.3	0.0	-1.2
3 Year	-6.8	-7.9	-4.7	-2.2	-3.3
5 Year	6.0	4.7	4.1	1.9	0.6
Incep.	7.2	5.9	3.3	3.8	2.5

3 Year, 5 Year and Incep. returns are annualised.

Returns are in USD

Fund Value (USD mil) 839

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	Rel.	Net Rel.
2015	-9.1	-9.7	-18.3	11.3	10.6
2016	25.6	23.9	11.6	12.5	11.0
2017	42.0	40.1	37.8	3.1	1.7
2018	-16.6	-17.7	-14.2	-2.7	-4.0
2019	28.7	27.1	18.9	8.2	6.9
2020	28.5	26.9	18.7	8.2	7.0
2021	-1.8	-3.0	-2.2	0.4	-0.7
2022	-25.2	-26.1	-19.7	-6.8	-8.0
2023	10.3	9.0	10.3	0.0	-1.2

EM equities rallied in Q4 as investors grew more optimistic about potential rate cuts in 2024. The fund saw a positive absolute return, outperforming its benchmark.

Performance

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

Market Background

EM equities rallied in Q4 as investors grew more optimistic about potential rate cuts in 2024.

Outlook

With real rates in much of EM at anomalously high levels and inflation falling in many countries across Latam and Asia, we continue to be positioned for EM central banks to lead the upcoming easing cycle. From an individual market perspective, LatAm is our key overweight, most notably Brazil, Mexico and Argentina.

Real rates in Brazil remain extremely elevated. With Fed rate hikes likely to be finished, this should refocus the market's attention on Brazil's capacity to cut. The central bank has started the process, but we expect another 300-400bps in cuts over the next year or so. Importantly, we believe that the Brazilian currency will be resilient in the face of such cuts, partly because it is extremely undervalued on a Real Effective Exchange Rate basis, and the carry remains high. The currency should also be supported by a positive inflection in Brazil's trade balance. Export volumes of agricultural commodities and oil have been growing rapidly over the past 10-15 years, and such volume growth is now being combined with a strong pricing environment. This terms-of-trade improvement means that Brazil's trade balance is currently running at almost \$10 billion per month. On an annualised basis this equates to nearly 6% of GDP – close to twice the level of previous peaks. Over time this could transform Brazil's current account, potentially leading to structurally lower interest rates. Whilst our primary motivation for overweight exposure in Brazil is a cyclical rebound from heavily depressed valuations as the cost of capital normalises, we also believe that this structural element is underappreciated by the market. We therefore continue to own companies that should benefit from a normalisation in the cost of capital, particularly in the mid-cap space, where many rate-sensitive companies appear to offer compelling deep-value opportunities. However, in recent weeks we have been using strength to take some profits in Brazil and have generally been looking to improve the quality of the portfolio there. It is a similar story in Mexico, where we have been locking in some profits, but retain exposure to beneficiaries of nearshoring-related investments, most notably selected banks.

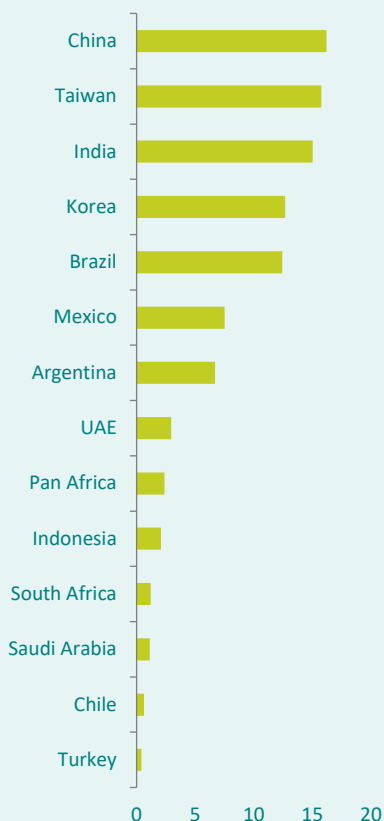
The decision to elect radical libertarian Javier Milei changes Argentina's political and economic landscape significantly. Milei has proposed to substantially reduce state interventionism and chronic fiscal deficits. Given the scale of the challenges, Milei's inexperience, and the limited amount of political capital available to spend, successfully implementing his macro-orthodox adjustment plan comes with a high degree of execution risk. Whilst we are in 'wait-and-see' mode with regard to the broader Argentinian economy, we continue to have high conviction in the potential of its oil and gas sector. Regardless of who is leading the country, hydrocarbons are seen by all parties as Argentina's main get out of jail card. The country is home to Vaca Muerta, the world's largest shale oil and gas deposit outside the US. Developing this world-class asset should result in record oil production for Argentina over the next decade. In 2022 the Oil & Gas sector (direct and indirect) accounted for 11% of GDP, which is anticipated to rise to 19% by 2030. Meanwhile, the country's energy balance of trade is expected to inflect from a \$5bn deficit in 2022 to a \$20-25bn surplus by 2030. This should enable the country to move to a current account surplus, which is key for economic stability. Politicians across the spectrum understand this, and unsurprisingly the sector was already being supported under the previous administration. Such support may even increase under Milei's free-market-leaning presidency as he has stated that he aims to deregulate domestic energy prices and let them converge with export parity, while privatising oil producer YPF.

In Asia we continue to be constructive on India as we expect a turn in the investment cycle, continued government investment, and increased investment from multinationals to capture India's domestic market and diversify their manufacturing bases away from China. However, our Indian exposure is tempered by valuations, which remain rich in many sectors.

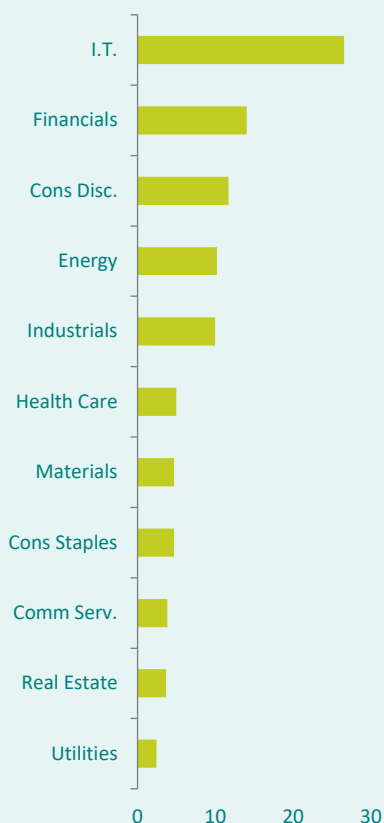
Elsewhere we see an extremely attractive structural growth opportunity in both logic and memory semiconductors, driven by rapidly increasing demand from a range of new applications, most notably High-Performance Computing and AI. Digitalisation had already been accelerating for some time, but this has now been turbocharged by AI. At the same time, we are emerging from a cyclical trough, where semiconductor inventories have been run down substantially. We believe this powerful combination of structural and cyclical drivers as well as attractive valuations should result in a period of outsized returns for shareholders. We therefore own a number of semiconductor/memory plays in Taiwan and Korea.

Finally, China remains our key underweight. We believe that the country's high-savings, high-investment model has reached its limit, and for sustainable future growth, the economy must become far more consumption-driven. This ultimately means that demand must now catch up with supply. However, this is no mean feat as the country faces multiple drags on consumption, including a youth unemployment rate of 20%, a falling working-age population, negative wealth effects from a weaker housing market, and a lacklustre post-covid reopening.

Absolute Country Weights %



Absolute Sector Weights %



Portfolio Positioning

Over the quarter we bought Equatorial Energia, a Brazilian Utility that we had been monitoring for some time. We regard it as one of the highest quality companies in the country, yet it is trading at just 12x earnings. This is despite the fact that it should be a key beneficiary of falling interest rates and a strong pipeline of privatisation projects in Brazil.

Another purchase was GMR Airports. The company operates airports primarily in India, with key locations including Delhi, Hyderabad and Goa. We took advantage of a significant sell-down to build our position. The sell-down removed a major technical overhang and catalysed a rally in the share price through year-end. India remains significantly underpenetrated across all major travel metrics, which should drive traffic growth well in excess of GDP. GMR is also likely to receive a boost to margins in the coming months as its regulated aero tariff is expected to be revised higher on account of the unexpected pressures felt throughout COVID. In addition, the government is looking to privatise a further 25 airports in the coming years, with an additional 15 new builds also in the pipeline. We believe GMR to be in a good position to win its fair share of these projects, which should boost its growth prospects further. Ultimately, we believe the business will compound well in excess of its cost of capital and is one of the few ways to participate in the extremely attractive structural growth story of Indian travel.

Conversely, we have been taking advantage of recent strength in Brazil and Mexico, trimming or selling the likes of Atacadao, Sendas and Banorte.

Stocks

Below we highlight a major winner and a major loser:

Banorte

Banorte is a large commercial bank in Mexico. In our view it remains one of the best ways to play a strong Mexican economy. We expect Banorte to generate low-teens loan growth and double-digit EPS growth. In addition to this attractive growth, the stock offers a dividend yield of 8-9% as Banorte's strong capital position enables a payout ratio of 85%. There have been some concerns that falling rates will lead to net interest margin compression. However, Banorte has been focused on shifting from floating- to fixed-rate loans, which should mitigate this. Indeed, management have guided for very limited net interest margin contraction on the back of rate cuts. The stock traded higher due to increasing optimism over nearshoring in Mexico. As a key beneficiary of this trend, Banorte is attracting growing interest from giant global fund managers.

Delhivery

Delhivery is a leading provider of logistics in India. The company specialises in e-commerce fulfilment, where it has the number one market share. It operates through a technology-driven platform offering an end-to-end solution for the entire logistics value chain. India is exceptionally underpenetrated in terms of e-commerce parcels per capita. We estimate that the country has just over 2 parcels per capita currently, whilst China has around 80. As more of India's population gain access to online shopping and urbanisation continues, we expect the growth rate of parcels to average almost 20% for the next decade. By focusing our exposure on the leading logistics player, we aim to capture structural growth in Indian e-commerce without taking on the additional risk of predicting the eventual winners at this early stage. As the company with the biggest scale, Delhivery is the natural lowest-cost provider, enabling it to control pricing in the market. The company prices in such a way that allows it to be profitable, but also pressures its peers and dissuades others from entering the market. Over time as its market share expands further, we expect parcel pricing to move higher, boosting margins. The stock struggled over the month after one of the largest shareholders sold a portion of their stake.

Performance Attribution Q4 2023

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	Banorte	Mexico	Financials	0.54	√
	MercadoLibre	Brazil	Consumer Discretionary	0.49	√
	GMR Airports	India	Industrials	0.47	√
	Regional	Mexico	Financials	0.36	√
	TGS	Argentina	Energy	0.33	√
Top Detractors	Wuxi Biologics	China	Health Care	-0.50	√
	Dada Nexus	China	Consumer Staples	-0.36	√
	Pinduoduo	China	Consumer Discretionary	-0.34	√
	Delhivery	India	Industrials	-0.28	√
	Vista Energy	Argentina	Energy	-0.27	√

Highlights

- The fund finished ahead of its benchmark, with outperformance particularly marked in Mexico, Korea and Argentina.
- Banorte traded higher due to increasing optimism over nearshoring in Mexico. As a key beneficiary of this trend, it is attracting growing interest from giant global fund managers.
- Hansol Chemical performed well in Korea on the back of an improving outlook for memory, with double-digit increases in DRAM pricing seen over the past 6 weeks.
- YPF rallied following Milei's victory. The new president has talked about normalising domestic prices, which are currently capped, so that they converge with export prices. This would boost YPF earnings by some \$2bn. He has also intimated that he wants to privatise YPF, which would be another positive catalyst for the stock.
- At the sector level, outperformance was particularly significant in Financials and Industrials.
- Our Mexican banking holdings led outperformance in the Financials sector.
- The fund lost out by not owning Pinduoduo, which rallied on optimism that its low-cost e-commerce business Temu could take on Amazon.

Portfolio Breakdown (%)

	TT EM Unconstrained		MSCI EM
	30 Sep	31 Dec	31 Dec
	Czech Republic		
Egypt			0.1
Greece			0.5
Hungary			0.3
Kuwait			0.8
Pan Africa	4.0	2.4	
Poland			1.0
Qatar			0.9
Saudi Arabia	0.9	1.1	4.2
South Africa	1.2	1.2	3.1
Turkey	0.7	0.4	0.6
UAE	1.8	2.9	1.3
EMEA	8.7	8.0	12.7
China	17.0	16.2	26.5
India	15.4	15.0	16.7
Indonesia	3.4	2.1	1.9
Korea	9.1	12.7	13.0
Malaysia			1.3
Philippines			0.6
Taiwan	13.9	15.8	16.0
Thailand			1.8
Emerging Asia	58.7	61.7	77.8
Argentina	4.9	6.7	
Brazil	13.0	12.4	5.8
Chile	0.4	0.6	0.5
Colombia			0.1
Mexico	8.9	7.5	2.7
Peru			0.3
Latin America	27.2	27.2	9.5
Cash	5.4	3.0	
Total	100.0	100.0	100.0

Sector Allocation (%)

	TT EM Unconstrained		MSCI EM
	30 Sep	31 Dec	31 Dec
	Communication Services	3.1	3.8
Consumer Discretionary	12.0	11.7	12.8
Consumer Staples	7.7	4.7	6.0
Energy	11.1	10.2	5.1
Financials	20.6	14.0	22.3
Health Care	4.8	5.0	3.8
Industrials	8.8	10.0	6.8
Information Technology	20.0	26.5	22.1
Materials	3.4	4.7	7.9
Real Estate	1.8	3.7	1.6
Utilities	1.3	2.5	2.7
Cash	5.4	3.1	
Total	100.0	100.0	100.0

Top 10 Stocks

September 30, 2023			December 31, 2023		
Security	Country	Weight %	Security	Country	Weight %
TSMC	Taiwan	8.5	TSMC	Taiwan	9.6
Axis Bank	India	5.3	Samsung Electronics	Korea	7.7
Samsung Electronics	Korea	4.6	Axis Bank	India	3.5
Savannah Energy	Pan Africa	4.0	Banorte	Mexico	3.1
Banorte	Mexico	3.7	EMAAR Properties	UAE	2.9
Vista Energy	Argentina	3.1	MercadoLibre	Brazil	2.8
Alibaba Group	China	2.8	Tencent	China	2.8
ICICI Bank	India	2.6	ICICI Bank	India	2.7
Qifu Technology	China	2.5	Savannah Energy	Pan Africa	2.4
Hapvida	Brazil	2.2	Alibaba Group	China	2.3
Top 10 Positions		39.4	Top 10 Positions		39.8
Top 20 Positions		58.5	Top 20 Positions		59.8
No. of stocks		58	No. of stocks		61

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

Additional Fund Performance Information:

Fund 12-Month Discrete Periods (%)

	Jan 23 - Dec 23	Jan 22 - Dec 22	Jan 21 - Dec 21	Jan 20 - Dec 20	Jan 19 - Dec 19
Gross of fees	10.3	-25.2	-1.8	28.5	28.7
Net of fees	9.0	-26.1	-3.0	26.9	27.1
Index	10.3	-19.7	-2.2	18.7	18.9
Relative (gross)	0.0	-6.8	0.4	8.2	8.2
Relative (net)	-1.2	-8.0	-0.7	7.0	6.9

Important Information:

Shareholder Rights

A Prospectus is available for the Fund and Key Investor Information Documents (KIID) 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.

Disclaimer

This document is not intended for distribution to, or use by any person/entity in any jurisdiction/country where such distribution/use would be contrary to local law/regulation. This document is issued by TT International Asset Management Ltd ("TT"). TT is authorised and regulated by the Financial Conduct Authority (FCA). TT International Funds plc (the "Fund") is a recognised collective investment scheme for the purposes of Part 17 of the Financial Services and Markets Act 2000 of the UK (as amended by Part 6 of the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019). The Fund is being marketed into the UK under the Temporary Marketing Permission Regime. This document may be distributed only to persons to whom an offer to purchase shares/units in the Fund may legally be made. The circulation of this document is restricted to professional investors as defined in the legislation of the jurisdiction where this information is received. In the UK, the restriction is to "professional clients" within the meaning of the FCA Handbook of Rules and Guidance. No shares/units in the Fund may be offered/sold in the US. No representation is made as to the accuracy/completeness of any information contained herein, and the recipient accepts all risk in relying on this information for any purpose. Without prejudice to the foregoing, any views expressed herein are the opinions of TT as of the date on which this document has been prepared and are subject to change at any time without notice. The information herein does not constitute an offer of shares/units in the Fund, and it is not an offer to, or solicitation of, any potential clients or investors for the provision by TT of investment management, advisory or any other comparable or related services. No statement in this document is or should be construed as investment, legal, or tax advice, nor is any statement an offer to sell, or a solicitation of an offer to buy, any security/instrument, or an offer to arrange any transaction, or to enter into legal relations. This document expresses no views as to the suitability of the investments described herein to the individual circumstances of any recipient. Any person considering an investment in the Fund should consult the Fund prospectus. Investment in the Fund carries with it a high degree of risk. 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.