TT EM UNCONSTRAINED FUND

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Fund Information

Portfolio Managers
Robert James | Diego Mauro

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 800,139,752
Strategy: USD 1,315,280,913

Fund Performance

Past performance does not predict future returns

	Fund Gross	Fund Net	MSCI EM	Gross Rel.	Net Rel.
December	2.0	1.9	-0.1	2.1	2.0
Q4	1.7	1.4	-7.8	10.4	10.0
2024	16.7	15.2	8.1	8.0	6.6
1 Year	16.7	15.2	8.1	8.0	6.6
3 Year	-1.3	-2.5	-1.5	0.2	-1.0
5 Year	4.0	2.7	2.1	1.8	0.6
Incep.	8.2	6.8	3.8	4.2	3.0

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

Returns are in USD

Fund Value (USD mil)	800
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	11.4	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
2024	16.7	15.2	8.1	8.0	6.6

EM equities fell over the quarter amid tariff threats and dollar strength following Trump's election victory. The fund saw a positive absolute return, significantly outperforming its benchmark.

Performance

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

Market Background

EM equities fell over the quarter amid tariff threats and dollar strength following Trump's election victory.

Outlook

We appear to be entering a more volatile, polarised world, characterised by an increasing divergence in performance across the EM universe. We believe our agile approach that combines top-down and bottom-up analysis is perfectly positioned to dynamically capitalise on these opportunities. So where do we see the key opportunities and risks at present?

We continue to be very constructive on Argentina. President Milei has made sweeping changes to the bureaucracy and red tape that has held the country back and, in less than a year, has converted a 3% primary fiscal deficit into a 2% surplus. With the trade deficit having also turned to a surplus, Argentina would appear to be relatively well insulated from an external shock. The manifest reform progress and a close relationship between Trump and Milei increase the likelihood of a renewed IMF deal, which would serve as another positive catalyst. Many areas appear to be moving towards the bull case, with economic activity levels, inflation and Milei's popularity all tracking well. The parallel and controlled exchange rates continue to converge, suggesting that the latter is not overvaluing the Peso. Such convergence will theoretically make it easier to remove currency controls, a major outstanding economic reform. It is also encouraging to detect a change in tone from the mainstream media regarding Argentina's reform programme, which should help equity risk premia. We recently shifted much of our Argentinian exposure into Financials, which we believe still trade at reasonable valuations and have a very strong credit growth cycle ahead of them, with credit penetration-to-GDP still in the single digits in Argentina. These positions subsequently rallied sharply, both in absolute terms and relative to other sectors, particularly after several broker upgrades.

We are also positive on Turkey, which in some ways resembles Argentina in the sense that inflation spiked due to gross mismanagement, but is now being reined in by a return to economic orthodoxy. With monetary policy in extremely restrictive territory, and fiscal policy likely to become slightly contractionary this year, inflation should continue on its downward trajectory. This should enable monetary loosening, and indeed the central bank recently cut rates by 250bps. We believe this provides an exciting opportunity for a depressed market to re-rate, particularly the banks that are very sensitive to rate cuts.

India also looks well positioned in the current environment as it is geopolitically 'neutral', with a vast domestic economy that is relatively isolated from tariff rhetoric. It should also benefit from lower oil prices in a scenario where an increasing supply of hydrocarbons, principally from the US, meets weakening global demand. The market currently appears to be in a mid-cycle 'air pocket'. We have been saying for some time that we would like to add to India if a pullback presented an opportunity to pick up stocks at more reasonable valuations. We have therefore arranged a research trip to identify potential ideas here.

From a sector perspective, we are particularly bullish on Technology, most notably AI. Hyperscalers such as Google and Microsoft are still increasing their investments in AI, and we are confident that this will continue for several reasons. Firstly, the models are still scaling, and are becoming increasingly useful in the real world as they do so. For example, improvements in models are now allowing companies to create agents to perform tasks that can replace humans – so-called agentic AI. This should drive productivity gains, increasing the value of the models and justifying the hyperscalers' CapEx. Secondly, there is an element of game theory here. For each of these companies, if they do not invest in AI, their core business could be disrupted. For example, Google's search business could be particularly vulnerable to AI disruption unless it continues to invest. Crucially, not only do the hyperscalers have the need to invest in AI, they also have the ability. Despite record investment, they remain free cash flow positive, with net cash balance sheets.

On the other side of the coin, twin deficit countries are likely to be particularly vulnerable to an external shock, be it from tariff rhetoric or spikes in risk premia amid heightened volatility. Southeast Asian economies such as Thailand and Indonesia would fall into this category.

But it is Mexico and China that look particularly vulnerable at present. Mexico's socialist government was already implementing market-unfriendly reforms before Trump's victory, and the country is now firmly in Trump's tariff crosshairs due to its failure to control the flow of illegal drugs and immigrants across the border. For an economy that is heavily reliant on the US, this is a major risk.

China has been a key underweight for us, given the range of problems facing the economy as it struggles to transition from export- and investment-led growth towards domestic consumption. These problems are likely to be exacerbated by an adversarial US president. However, we believe that China is waiting to assess the measures that Trump implements once in power, and will likely use stimulus measures to mitigate the impact. This could result in sharp relief rallies, and we stand ready to rapidly adjust positioning should this be required.

Finally, we are underweight Brazil, where fiscal policy appears too loose against a backdrop where inflation has ratcheted up to a 14-month high. Investors have priced in significant rate increases to offset this, with SELIC predicted to rise to 14-16%. Given Brazil's high debt levels, interest rates of this magnitude are leading the market to question debt sustainability.

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Q4 2024

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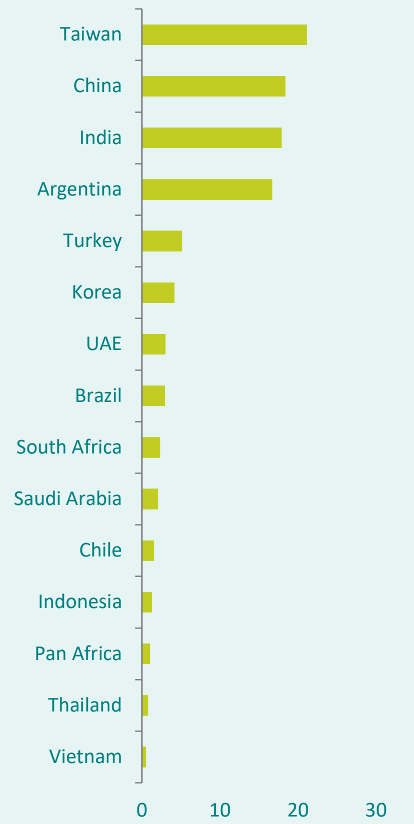
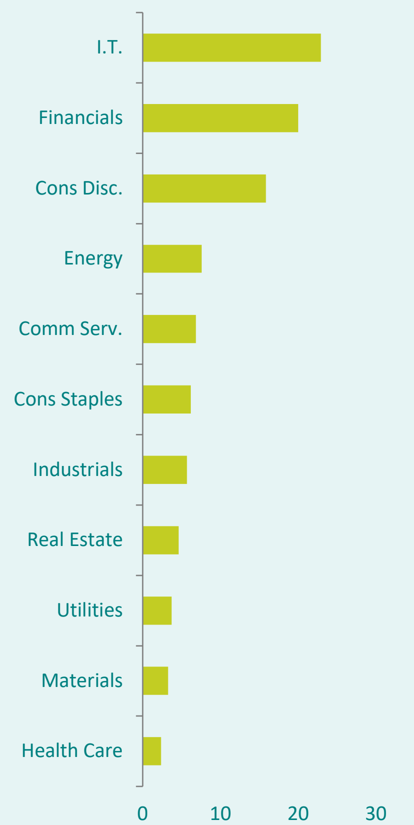
Absolute Country Weights %



Absolute Sector Weights %



Portfolio Positioning

Over the quarter we took some profits in several of our Argentinian holdings, most notably YPF, after a strong rally. The proceeds were recycled into some Financials and Pampa Energia, where we see better value. The latter has been a relative laggard, despite the fact that it is starting to develop a very promising area in the Vaca Muerta shale basin.

Another purchase was Chinese electric vehicle manufacturer BYD. The company currently only exports 400,000 units, but we see a big opportunity in Southeast Asia, Latin America and Europe. With export margins twice those in the domestic market, this could become a major driver of earnings growth. BYD currently trades on a PE multiple of 14x, and we believe earnings can double over the coming years. For the world's largest EV player with a vast target market outside the West, this seems unjustifiably cheap.

We also increased the position in MediaTek, a leading Taiwanese fabless semi company. It produces Application Specific Integrated Circuits, which are enjoying rapid growth as they can be designed for AI tasks. MediaTek is a beneficiary of the TSMC chip ‘max out’, and from hyperscalers looking to diversify their exposure to reduce their dependency on Nvidia.

Conversely, we took some profits in Capstone and fully exited PDD due to concerns that it could become collateral damage as tensions between the US and China rise.

Meanwhile, Kotak and ASE were reduced to free up capital for other ideas in India and Taiwan, respectively.

Finally, Banco BTG was exited as we looked to reduce the fund’s exposure to Brazil further.

Stocks

Below we highlight a major winner and a major loser:

Emaar

Emaar is a leading real estate development company headquartered in Dubai. It is known for landmark projects such as the Burj Khalifa and The Dubai Mall, one of the world’s largest shopping and entertainment developments. Some 80% of Emaar’s NAV is its malls, offices and hotels, with the remainder being its development business. Emaar’s portfolio includes master-planned residential communities, luxury hotels, mixed-use developments and commercial properties. The Dubai market continues to be strong, with Emaar firing on all cylinders. Historically, the company has been reticent to pay out the cash it has generated, which likely stems from Emaar previously being highly levered. However, in recent years it has moved into a substantial net cash position, and in December announced a far more aggressive dividend policy, which we believe is sustainable. It currently offers an 8% dividend yield – well above the level of comparable shares. Assuming a dividend yield of 6% and modest growth, we see another 40% upside in a defensive company that is effectively a dollar earner, given that the Dirham is pegged. The shares traded higher following the dividend announcement.

Proya

Proya is a leading Chinese cosmetics and skincare brand. The company's portfolio includes anti-aging creams, serums, moisturisers, foundations and lipsticks. Despite releasing strong results, the stock sold off due to concerns around a weak Chinese consumer and lack of stimulus specifically related to cosmetics consumption. Whilst we echo these concerns, and they are part of the reason that we are underweight China in aggregate, we still favour Proya. Indeed, it is the only cosmetics company in China that has successfully developed multi brands covering different categories such as skincare, make-up and haircare. Proya has steadily gained market share with new products, delivering a revenue and profit CAGR of c.30% over the past 4 years thanks to its strong marketing efforts and consumer insights. Going forward we see potential to gain further market share in China and expand into more categories and countries.

Performance Attribution Q4 2024

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	YPF	Argentina	Energy	2.22	√
	Galicia	Argentina	Financials	1.66	√
	TGS	Argentina	Energy	1.35	√
	Banco Macro	Argentina	Financials	1.17	√
	Pampa Energia	Argentina	Utilities	0.97	√
Top Detractors	Savannah Energy	Pan Africa	Energy	-0.94	√
	Xiaomi	China	Information Technology	-0.35	´
	MercadoLibre	Brazil	Consumer Discretionary	-0.29	√
	Proya Cosmetics	China	Consumer Staples	-0.28	√
	Aditya Birla Capital Ltd	India	Financials	-0.19	√

Highlights

- The fund finished significantly ahead of its benchmark, with outperformance particularly notable in Argentina, India and Korea.
- Sentiment towards Argentina continues to improve as Milei’s programme bears fruit.
- CarTrade reported strong results. We continue to believe it represents one of the strongest compounders in India.
- Savannah was a notable underperformer due to its large acquisition plans now looking threatened.
- At the sector level, outperformance was particularly marked in Energy and Financials.
- Our Argentinian Energy stocks continued to rally after reporting strong results.
- Akbank performed well in Financials. Like Argentina, Turkey has seen positive macro developments, with the latest inflation print being encouraging. If inflation continues to fall, we should see significant monetary easing in 2025. Turkish banks are extremely sensitive to rate cuts, and Akbank has traded higher against this backdrop.
- Despite releasing strong results, Proya sold off due to concerns around a weak Chinese consumer.

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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			0.5
Hungary			0.2
Kuwait			0.7
Pan Africa	2.1	1.0	
Poland	0.7		0.8
Qatar			0.8
Saudi Arabia	1.8	2.1	4.2
South Africa	4.9	2.3	2.9
Turkey	3.0	5.1	0.7
UAE	1.4	3.0	1.4
EMEA	**13.9**	**13.6**	**12.4**
China	25.0	18.4	27.8
India	16.4	17.9	19.4
Indonesia	2.5	1.2	1.5
Korea	6.8	4.2	9.0
Malaysia			1.5
Philippines	0.5		0.5
Taiwan	13.8	21.2	19.7
Thailand	0.5	0.8	1.4
Vietnam		0.5	
Emerging Asia	**65.5**	**64.2**	**80.9**
Argentina	12.4	16.7	
Brazil	4.4	2.9	4.1
Chile	2.5	1.5	0.4
Colombia			0.1
Mexico			1.8
Peru	0.5		0.3
Latin America	**19.8**	**21.2**	**6.6**
Cash	0.7	1.0	
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT EM Unconstrained		MSCI EM
	30 Sep	31 Dec	31 Dec
Communication Services	5.9	6.8	9.4
Consumer Discretionary	19.0	15.8	13.1
Consumer Staples	4.2	6.2	4.8
Energy	11.3	7.6	4.6
Financials	18.7	20.0	23.7
Health Care	2.8	2.4	3.4
Industrials	8.4	5.7	6.6
Information Technology	17.2	22.9	24.3
Materials	7.1	3.2	5.7
Real Estate	2.6	4.6	1.7
Utilities	1.9	3.7	2.7
Cash	0.7	1.0	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

September 30, 2024

Security	Country	Weight %
TSMC	Taiwan	8.3
Tencent	China	4.4
Alibaba	China	3.7
YPF	Argentina	3.4
Vista Energy	Argentina	2.5
Capstone Copper Corp	Chile	2.5
Pinduoduo	China	2.5
Akbank	Turkey	2.4
Anglogold Ashanti	South Africa	2.4
SK Square	Korea	2.3
Top 10 Positions		34.4
Top 20 Positions		53.2
No. of stocks		75

December 31, 2024

Security	Country	Weight %
TSMC	Taiwan	10.2
Tencent	China	5.8
Galicia	Argentina	4.4
Banco Macro	Argentina	3.4
Pampa Energia	Argentina	3.3
Mediatek	Taiwan	3.2
Akbank	Turkey	3.1
EMAAR Properties	UAE	3.0
Alibaba	China	3.0
MercadoLibre	Brazil	2.9
Top 10 Positions		42.3
Top 20 Positions		61.9
No. of stocks		59

Additional Fund Performance Information:

Fund 12-Month Discrete Periods (%)

	Jan 24 - Dec 24	Jan 23 - Dec 23	Jan 22 - Dec 22	Jan 21 - Dec 21	Jan 20 - Dec 20
Gross of fees	16.7	10.3	-25.2	-1.8	28.5
Net of fees	15.2	9.0	-26.1	-3.0	26.9
Index	8.1	10.3	-19.7	-2.2	18.7
Relative (gross)	8.0	0.0	-6.8	0.4	8.2
Relative (net)	6.6	-1.2	-8.0	-0.7	7.0

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.