Q2 2021

TT NON-US EQUITY STRATEGY

Fund Performance

	Fund Gross	MSCI World ex US
June	-2.9	-1.0
Q2	4.7	5.9
YTD	10.0	10.3
1 Year	48.5	34.2
3 Year (ann)	10.8	9.1
5 Year (ann)	13.6	10.9
Incep. (ann)	6.5	5.8

Returns are gross of fees in USD

Fund Value (USD mil) 63

Inception 17/08/98

Q2 2021 Attribution

Region Allocation	0.4
Security Selection	-1.6
Currency Effect	0.2
Management Effect	**-1.1**

Markets

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

Asset Allocation

Europe	78.9 ↑
Emerging Markets	12.7 •
Japan	4.7 ↓
Pacific ex Japan	1.0 •
Cash	2.7 ↑

Top Five Securities %

AstraZeneca	UK	3.8
Coca-Cola Hellenic	UK	2.8
Delta Electronics	Taiwan	2.6
Roche Holding	Switzerland	2.5
DCC	UK	2.5

Global equities rallied over the quarter due to optimism about economic reopening, but gains were limited by concerns that higher inflation may force central banks to tighten monetary policy sooner than expected. The fund generated a positive absolute return, underperforming its benchmark.

Performance

The fund finished behind its benchmark, with outperformance in Japan more than offset by underperformance in Europe and Canada.

Market Background

Global equities rallied over the quarter due to optimism about economic reopening, but gains were limited by concerns that higher inflation may force central banks to tighten monetary policy sooner than expected.

Outlook

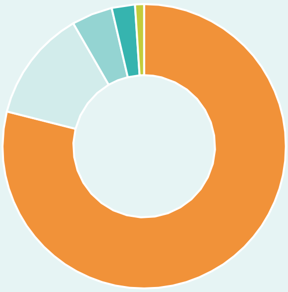
While we remain constructive on markets overall, we have been reducing our beta in recent months, partly reflecting the incredibly strong rally that global equites have enjoyed over the past 16 months, and partly in response to what we see as growing risks on the horizon. Indeed, policymakers are likely to scale back their monetary and fiscal support in due course, which could translate into a slower economic recovery and a weaker level of earnings growth. Moreover, taxes are likely to start rising in order to pay for the extraordinary levels of government spending seen during the pandemic. In order for us to stand still in terms of growth, governments need to spend the same amount in 2022 as they did in 2021. Clearly the appetite is for normalising deficits and attempting to balance the books, and we are already on the cusp of a landmark global tax agreement. Thus, the fiscal drag on 2022 growth could be quite material.

To add to the uncertainty, investors remain divided on whether the ongoing rise in inflation is transitory. If it isn't, interest rates will need to rise, which will almost certainly mean a bumpy ride for markets. The scaling back of bond purchases and potential rate hikes will certainly have investors on alert, given the huge debt burdens around the world.

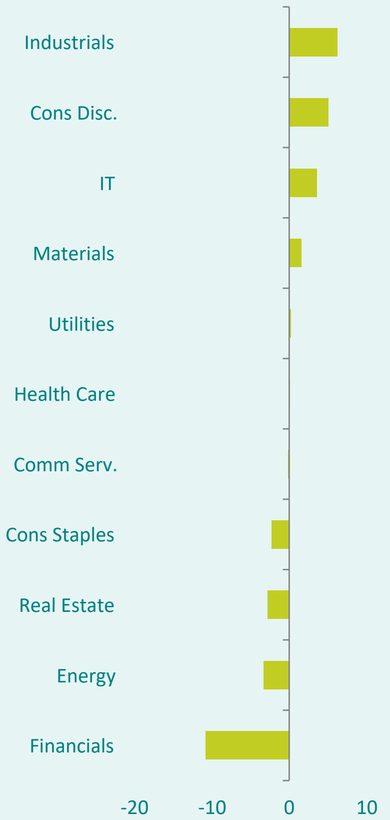
Of course, the bear case we all need to be cognisant of is a potential stagflation scenario, in which most asset classes would struggle. While this is certainly not our base case, it cannot be ruled out as the policy regime begins to change.

Whilst we acknowledge the potential risks from a macro perspective, we are upbeat on the potential performance of the fund going forward, given its sector/geography weightings. We have large overweight positions in the UK and Europe, where earnings are likely to see the same level of growth as the US in 2021, yet valuations are at multi-decade lows relative to the S&P. Given the level of economic activity, the pace of reopening and the growth that's on offer for the valuation we are paying, we continue to expect Europe to outperform.

Allocation



Sectors relative to Index %



Portfolio Positioning

Over the quarter we bought Austrian ABF substrate manufacturer AT&S. It trades at anomalously cheap multiples relative to its EM-listed peers, partly as it isn't widely covered by analysts. The ABF market is in short supply, meaning pricing dynamics are very strong. We have almost 100% upside.

Elsewhere in Europe we repurchased Pernod-Ricard after a pullback. We believe that relative levels are attractive and growth momentum remains strong.

Conversely, we reduced Burberry after the CEO unexpectedly announced that he was resigning. Burberry represents one of the most affordable ways to gain exposure to the luxury sector, but we have to manage the position size, given the increase in uncertainty.

We also sold Philips after it doubled the warranty provision for a product recall. We believe that this has damaged management credibility.

In Emerging Markets we bought China-listed Zijin Mining, which has a large growth project coming online in the Democratic Republic of the Congo and another one in Serbia. The projects should help to drive strong copper production growth for the next 4-5 years. In a more general sense, we are bullish on copper, given the lack of supply and grade degradation at existing mines, as well as stronger demand from a cyclical global recovery. Demand for copper should also be boosted by the green transition as EVs require more copper than internal combustion engines, while solar and wind power are more copper intensive than thermal power.

We also bought 21Vianet, the largest carrier-neutral Internet and data centre service provider in China. 21Vianet has been a major beneficiary of increasing demand for data centre services during lockdown as people consumed more online content at home. This increase in demand has led to more players coming into the space, prompting concerns about oversupply and pricing declines. We believe this is largely noise as there is insufficient power supply in Tier 1 cities and core areas, which should constrain capacity and benefit the incumbents. Data centres are also typically built using leverage so, while new players may be aggressive on pricing initially, ultimately they will have to exercise price discipline as most will have taken on debt to build these facilities and will need to earn an economic return or go bust.

Elsewhere in EM we bought Pepco, which sells low cost clothing and homewares, mainly in Poland. It also operates the Poundland brand in the UK and plans to expand this model to other countries in Europe. We see it as a fast-growing, high-quality company with excellent returns on capital and a strong management team.

Stocks

Below we highlight a major winner and a major loser:

Jeol

Japan-based Jeol is a manufacturer of a key component of multi-beam mask writing equipment, which enables the writing of circuitry patterns onto the photosensitive layer of the wafer using extreme ultraviolet lithography (EUV). As evidenced by announcements from many of the largest chip makers including TSMC, Intel and Samsung, EUV capex is exploding, and the proportion that is going to advanced nodes is rising even faster. That should translate into high levels of growth in demand for the equipment that Jeol currently has a monopoly over. As the industry continues to transition towards advanced nodes, the precision that is required to write circuits with a very low tolerance for errors is increasing dramatically. Multi-beam technology currently accounts for just 1% of the market, but is the most productive way to write circuits into photomasks for the most advanced nodes. We therefore believe it represents a very exciting growth story. Since 2002, Jeol has had a partnership with Intel subsidiary IMS. Jeol provides one of the key components to IMS, which then assembles the multi-beam equipment. They co-develop the product, with joint sales and marketing efforts. Jeol gets 30% of the value of the each sale (typically around $50m per unit), and generates 30% operating margins. Production capacity is currently 10 units per annum, but Jeol is expanding aggressively. It currently trades on 40x forward earnings, which is attractive relative to better known peer Lasertec on 70x. We see upside to consensus numbers, with operating profits potentially tripling in the next five years, depending on the strength of order growth.

National Express

National Express is an operator of transport services across multiple geographies. Its ALSA business (30% of sales and 34% of operating profits) is the leader in the Spanish road passenger transport sector. Throughout the pandemic it has continued to increase contract wins and remain EBIT positive, which is impressive for a travel business. In normal times it is highly profitable, with operating margins above 13%. The North America business (45% of sales and 38% of operating profits) runs student, transit and shuttle services. The student transportation business operates largely through medium-term contracts, providing a good degree of visibility and a dependable source of cashflow. In fact, they were remunerated fully throughout the pandemic, despite not running services. Rival First Group (operating under the banner First Student) was recently sold to EQT, a large infrastructure fund, for a multiple of 9x EV/EBITDA. Operationally, we believe National Express is as good if not better than First Group, so it should command a similar multiple. National Express made over £200m of EBITDA in 2019. Using the same multiple as First Group, National Express' North American business would be valued at £1.9bn, yet the enterprise value of National Express is currently £3.4bn. Stripping out the North American business on these terms would leave National Express net cash and the remaining entity on less than 5x earnings. We therefore believe there is a strong value case on a sum of the parts basis. Finally, National Express operates bus and coach services in the UK (22% of sales and 25% of profit). It sold off in June along with other travel stocks after the UK government delayed its lockdown easing. However, as transport opens up and foreign travel is permitted, National Express should see a meaningful delta in its earnings and most likely its multiple. We added to the position as we have over 40% upside from current levels.

Q2 2021

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Performance Attribution Q2 2021

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

Regional Selection (%)

Region	Region Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**0.4**	**-1.6**	**0.2**	**-1.1**
Equity	**0.6**	**-1.6**	**0.1**	**-0.9**
Japan	0.8	0.3	0.1	1.2
Pacific ex Japan	0.0	0.1	0.1	0.2
Emerging Markets	-0.2	0.0	0.2	0.0
Middle East	0.0	0.0	0.0	0.0
United States	0.0	-0.1	0.0	-0.1
Canada	-0.3	-0.2	-0.1	-0.5
Europe	0.3	-1.8	-0.2	-1.7
Non Equity	**-0.2**	**0.0**	**0.1**	**-0.2**
Foreign Exchange	0.0	0.0	0.0	0.0
Cash	-0.2	0.0	0.0	-0.2

Highlights

- The fund finished behind its benchmark, with outperformance in Japan more than offset by underperformance in Europe and Canada.
- Lasertec was a major winner due to upbeat capex guidance in the semiconductor industry.
- UDG Healthcare received an all cash offer of 1023p/share from Nenerlite, which the Board recommended shareholders accept. This gave it an implied EV/EBITDA multiple of 17.2x, a 30% premium to the 6-month VWAP of the stock.
- SBI sold off along with several stocks in Japan that have cryptocurrency exposure following a pullback in the digital asset market. SBI's exposure to cryptocurrency (through its investment in Ripple Labs) is 4% of its book value, with total exposure to digital assets <10%. Underlying trends in its financial services/asset management businesses are strong, and results are coming through better than expected.
- National Express sold off along with other travel stocks after the UK government delayed its lockdown easing.

Sector Selection (%)

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

Highlights

- At the sector level, outperformance in Health Care and Communication Services was more than offset by underperformance in Industrials and Financials.
- AstraZeneca was a major winner in Health Care. Investors are slowly becoming more comfortable with the company's acquisition of Alexion.
- Cell tower operator Cellnex rebounded from oversold levels following the conclusion of its rights issue.
- SBI and National Express struggled in the Financials and Industrials sectors, respectively.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	UDG Healthcare	UK	Health Care	0.40	√
	AstraZeneca	UK	Health Care	0.35	√
	Lasertec	Japan	Information Technology	0.25	√
	Cellnex	Spain	Communication Services	0.23	√
	Polymetal	Russia	Materials	0.23	√
Top Detractors	SBI Holdings	Japan	Financials	-0.41	√
	Faurecia	France	Consumer Discretionary	-0.29	√
	Flutter Entertainment	Ireland	Consumer Discretionary	-0.29	√
	National Express	UK	Industrials	-0.29	√
	Koninklijke Philips	Netherlands	Health Care	-0.25	√

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TT INTERNATIONAL

Portfolio Breakdown (%)

	TT Non-US Equity Strategy		MSCI World ex US
	31 Mar	30 Jun	30 Jun
Canada	**0.0**	**0.0**	**10.2**
Brazil	1.4		
China		1.8	
Greece	2.2	2.0	
India	1.2		
Korea	2.7	2.2	
Poland		1.6	
Russia	1.9	1.6	
South Africa	1.3	1.0	
Taiwan	2.5	2.6	
Emerging Markets	**13.3**	**12.7**	**0.0**
Austria		1.6	0.2
Belgium			0.9
Denmark	2.2	1.6	2.3
Finland			0.9
France	8.3	11.1	10.3
Germany	5.9	5.1	8.4
Ireland	7.6	6.2	0.6
Italy	0.8		2.2
Netherlands	6.5	4.0	3.9
Norway	3.1	2.5	0.6
Portugal			0.2
Spain	0.8	1.5	2.2
Sweden	3.0	2.5	3.4
Switzerland	3.9	6.7	8.8
UK	35.7	36.0	12.9
Europe	**77.9**	**78.9**	**57.9**
Japan	**7.4**	**4.7**	**20.8**
Israel			0.5
Middle East	**0.0**	**0.0**	**0.5**
Australia	0.9	1.0	6.5
Hong Kong			2.9
New Zealand			0.2
Singapore			1.0
Pacific ex Japan	**0.9**	**1.0**	**10.6**
Cash	0.6	2.7	
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT Non-US Equity Strategy		MSCI World ex US
	31 Mar	30 Jun	30 Jun
Communication Services	2.1	4.5	4.7
Consumer Discretionary	15.1	17.1	12.1
Consumer Staples	6.1	7.5	9.8
Energy	2.1	1.0	4.3
Financials	11.4	8.2	19.0
Health Care	6.8	11.3	11.2
Industrials	23.9	21.1	14.9
Information Technology	13.7	13.1	9.5
Materials	13.1	9.8	8.2
Real Estate			2.8
Utilities	5.3	3.7	3.4
Cash	0.6	2.7	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

March 31, 2021

Security	Country	Weight %
AstraZeneca	UK	3.4
SBI Holdings	Japan	2.8
Samsung Electronics	Korea	2.7
Coca-Cola Hellenic	UK	2.6
Alstom	France	2.5
DCC	UK	2.5
Bank of Ireland	Ireland	2.5
Delta Electronics	Taiwan	2.5
UBS	Switzerland	2.4
CRH	Ireland	2.2
Top 10 Positions		26.2
Top 20 Positions		47.1
No. of stocks		61

June 30, 2021

Security	Country	Weight %
AstraZeneca	UK	3.8
Coca-Cola Hellenic	UK	2.8
Delta Electronics	Taiwan	2.6
Roche Holding	Switzerland	2.5
DCC	UK	2.5
Reckitt Benckiser	UK	2.3
Alstom	France	2.2
Samsung Electronics	Korea	2.2
SBI Holdings	Japan	2.1
ASML	Netherlands	2.1
Top 10 Positions		25.1
Top 20 Positions		44.1
No. of stocks		63