

Fund Performance

	Fund Gross	MSCI ACWI ex-US
September	-8.6	-9.9
Q3	-9.5	-9.8
YTD	-24.6	-26.2
1 Year	-25.0	-24.8
Incep. (ann)	-26.8	-25.4

Returns are gross of fees in USD

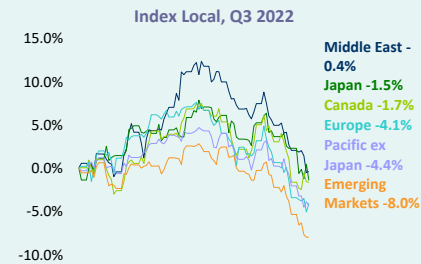
Fund Value (USD mil) 9

Inception 01/09/21

Q3 2022 Attribution

Region Allocation	0.7
Security Selection	-0.8
Currency Effect	0.5
Management Effect	0.4

Markets



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

Asset Allocation

Europe	68.3	↑
Emerging Markets	15.2	↓
Japan	6.4	•
Canada	1.2	•
Cash	8.9	•

Top Five Securities %

Shell	UK	4.7
Alibaba Group	China	4.1
Nexans	France	3.5
AstraZeneca	UK	3.1
Compass Group	UK	3.0

Global 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, outperforming its benchmark.

Performance

The fund finished ahead of its benchmark due to particularly strong performance in Europe.

Market Background

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

Outlook

Equity markets have been very weak amid a deteriorating global macro picture, a decidedly hawkish Fed, and a strong dollar. Added to these global headwinds are more country-specific risks, including China and its property market woes, and the UK's disastrous "mini" budget that caused sterling to collapse and gilt yields to spike, prompting the Bank of England to effectively enact yield curve control to stabilise the domestic pension fund industry.

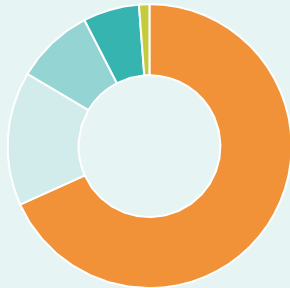
Perhaps unsurprisingly, most indicators of short-term sentiment are now extremely bearish, be it RSI measures, cash balances, or options market positioning. At the time of writing in early October, we have just seen equity markets lurch higher, despite a lack of meaningful catalysts, which also demonstrates 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.

We therefore maintain a defensive tilt to the book, with high cash levels, a large underweight in Financials, and a beta below 1. Whilst capital preservation remains the order of the day, as always we are looking to maintain a balanced portfolio and have therefore tactically increased exposure to some more cyclical stocks that already seem to be pricing in a deep recession.

From a geographic perspective we maintain an overweight in Europe, particularly the UK, albeit this must be caveated by pointing out that many of our holdings there have truly global earnings profiles. Examples include AstraZeneca, BAE Systems, Compass Group, DCC and Shell. Conversely, we remain underweight Japan. The Bank of Japan seems to be taking a less hawkish stance than other major central banks, and currency weakness will likely continue to be the release valve for this decision. We retain exposure to fundamentally strong franchises such as Hoya, which should be beneficiaries of a weak yen, and may look to close the underweight slightly as we are beginning to see some more interesting bottom-up opportunities.

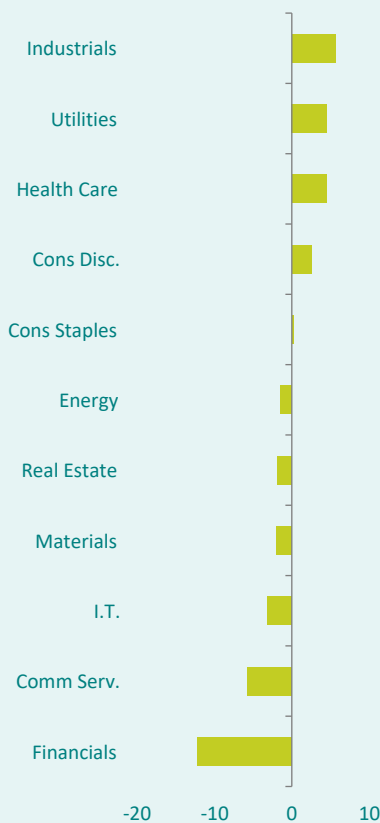
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Allocation



- Europe (68.3%)
- Emerging Markets (15.2%)
- Cash (8.9%)
- Japan (6.4%)
- Canada (1.2%)

Sectors relative to Index %



Portfolio Positioning

One recent purchase was defence company BAE systems. Major governments are increasing their defence spending significantly, particularly those in BAE’s key markets of the US, North America, Saudi Arabia, the UK and Australia. These spending commitments stretch across BAE’s portfolio, from military and munitions to systems and cybersecurity. BAE is enjoying strong free cash flow generation, and has announced an £800m dividend that should grow with earnings. All excess free cash flow over and above the dividend will go towards a 3-year share buyback plan, which has initially been authorised at £2bn, or 8% of the company at prevailing prices. BAE trades on a 30% discount to US peers, which we believe is unjustified, particularly given the company’s rehabilitation under its current management team, which has got all parts of the portfolio firing and is addressing the large pension deficit.

Another purchase was Deutsche Post, whose main business is DHL Express, a triopoly between Deutsche Post, UPS and FedEx. Deutsche Post is enjoying very strong pricing power, and has already announced that it will increase prices by 7-8% in real terms next year. The shares have come under pressure amid outflows from the German market due to macro sensitivities. We see this as a good entry point, with Deutsche Post now trading on a high single digit P/E and dividend yield.

We also bought Vestas, which has had some very big wins in offshore and should be a key beneficiary of the REPowerEU policy and the US Inflation Reduction Act.

Conversely, we sold Veolia due to concerns over the realisation of synergies from the Suez merger. Natwest was also sold entirely as it is at the epicentre of many macro crosscurrents, being a UK bank in the midst of a spike in bond yields and general expansion of risk premia for UK assets.

Finally, Whitbread was sold and Reckitt Benckiser was trimmed for risk management purposes, whilst Schneider Electric was cut due to its cyclical exposure.

Stocks

Below we highlight a major winner and a major loser:

Nexans

Nexans is the second-largest cable manufacturer in the world. At present around 55% of its revenues are derived from electrification, but this is expected to increase to over 90% as it is selling its non-core industrials and telecoms businesses. This means it will focus on its High Voltage Projects and Usages businesses. The former is comprised of high voltage interconnectors and high voltage offshore wind farms, while the latter serves utilities and buildings. Despite the difficult operating backdrop, the business is going from strength-to-strength. Its High Voltage Projects business has recently won two very large projects with a combined value of €1.8bn. These projects are both extremely earnings accretive over the next few years and serve to increase our conviction in the company. The path to Nexans generating almost €1bn in EBITDA by 2025 is now visible and reasonably likely in our view. The company currently has an Enterprise Value of less than €4bn, all of which is equity as opposed to debt. In our view, a pure electrification player and facilitator of the energy transition should not be trading below 4x EV/EBITDA.

Alibaba

Alibaba is a leading Chinese e-commerce company. The shares have struggled recently due to ongoing concerns over ADR risk and a general lack of appetite for Chinese assets. However, we believe that these fears are more than discounted in the price. The business itself is performing well operationally, narrowing its market share losses and becoming significantly more focused on costs. 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. We see an extreme valuation case for continuing to hold the position. From a top-down perspective, we recognise that risks relating to the Chinese 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. We expect a partial rolling back of the zero-covid policy, and also note that 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.

Performance Attribution Q3 2022

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	0.7	-0.8	0.5	0.4
Equity	0.2	-0.8	-0.9	-1.5
Europe	0.3	1.4	-0.8	0.9
Japan	-0.2	0.2	0.1	0.0
Pacific ex Japan	0.0	0.0	-0.1	-0.1
Canada	-0.2	-0.1	0.1	-0.2
Emerging Markets	0.4	-2.3	-0.1	-2.0
Non Equity	0.5	0.0	1.3	1.9
Cash	0.5	0.0	0.6	1.1
Foreign Exchange	0.0	0.0	0.8	0.8

Highlights

- The fund finished ahead of its benchmark due to particularly strong performance in Europe.
- Nexans performed well after winning two large projects.
- AIB and Bank of Ireland traded higher over the quarter. The Irish banking market has recently consolidated from 5 main banks to 3. Higher concentration should mean more pricing power for the remaining players, including AIB and Bank of Ireland.
- Alibaba struggled due to ongoing concerns over ADR risk and a general lack of appetite for Chinese assets.
- Jia Yuan underperformed as its long-anticipated growth-funding capital raise acted as an overhang.

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	0.4	-0.5	0.5	0.4
Equities	-0.1	-0.5	-0.9	-1.5
Communication Services	0.5	-0.1	-0.1	0.4
Utilities	-0.1	0.2	-0.1	0.1
Information Technology	0.0	0.1	-0.1	0.0
Materials	-0.1	0.1	0.0	0.0
Consumer Staples	0.0	0.2	-0.2	0.0
Health Care	0.0	0.1	-0.1	-0.1
Energy	-0.2	0.2	0.0	-0.1
Real Estate	0.1	-0.4	0.0	-0.2
Industrials	0.0	-0.4	0.0	-0.5
Financials	-0.2	-0.1	-0.2	-0.5
Consumer Discretionary	-0.1	-0.5	0.0	-0.7
Non Equity	0.5	0.0	1.3	1.9
Cash	0.5	0.0	0.6	1.1
Foreign Exchange	0.0	0.0	0.8	0.8

Highlights

- At the sector level, outperformance was particularly marked in Communication Services.
- Glencore traded higher as prices for its basket of commodities, most notably thermal coal, remain elevated.
- GSK slumped due to Zantac litigation concerns.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	Nexans	France	Industrials	0.81	√
	Hoya	Japan	Health Care	0.41	√
	AIB Group	Ireland	Financials	0.32	√
	RWE	Germany	Utilities	0.26	√
	Globant	Argentina	Information Technology	0.22	√
Top Detractors	Alibaba Group	China	Consumer Discretionary	-0.97	√
	Jia Yuan	China	Industrials	-0.54	√
	GSK	UK	Health Care	-0.37	√
	A-Living Services	China	Real Estate	-0.37	√
	360 Digitech	China	Financials	-0.28	√

Performance Attribution 1 Year to September 2022

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	0.5	-0.6	-0.2	-0.3
Equity	-0.4	-0.6	-2.9	-3.9
Europe	0.4	3.6	-1.3	2.7
Pacific ex Japan	-0.2	0.0	-0.4	-0.6
Japan	-0.5	-1.2	0.6	-1.1
Canada	-0.8	-0.4	-0.4	-1.6
Emerging Markets	0.7	-2.6	-1.4	-3.3
Non Equity	0.9	0.0	2.8	3.7
Cash	0.9	0.0	1.0	1.9
Foreign Exchange	0.0	0.0	1.8	1.7

Highlights

- In extremely challenging investment conditions, the fund finished slightly behind its benchmark, with outperformance in Europe offset by underperformance in Emerging Markets.
- Russia's invasion of Ukraine turbocharged commodity price spikes across the board. Against this backdrop, Glencore, Shell and OCl performed strongly.
- Electrification company Nexans traded higher after being awarded preferred supplier status for two very large projects with a combined value of €1.8bn.
- Chinese property management services company A-Living Services struggled amid ongoing stress for Chinese developers.
- Sports betting company Flutter sold off due to regulatory uncertainty in the UK market following ministerial change.

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	0.8	-0.9	-0.2	-0.3
Equities	-0.1	-0.9	-2.9	-3.9
Information Technology	-0.2	1.7	-0.4	1.1
Health Care	0.3	0.6	-0.4	0.5
Communication Services	0.7	-0.3	-0.1	0.4
Industrials	-0.1	0.2	0.1	0.3
Utilities	0.2	0.1	-0.1	0.1
Energy	-0.5	0.7	-0.2	0.0
Financials	-0.2	1.3	-1.0	0.0
Consumer Staples	-0.1	0.1	-0.3	-0.3
Real Estate	0.1	-1.2	0.0	-1.0
Materials	0.2	-0.9	-0.6	-1.2
Consumer Discretionary	-0.6	-3.0	0.0	-3.6
Non Equity	0.9	0.0	2.8	3.7
Cash	0.9	0.0	1.0	1.9
Foreign Exchange	0.0	0.0	1.8	1.7

Highlights

- At the sector level, outperformance in I.T. and Health Care was offset by underperformance in Consumer Discretionary.
- Austria Technologie performed well following a large guidance raise.
- AstraZeneca performed well as a defensive company that attracted investors during market volatility.
- Flutter was the key detractor in Consumer Discretionary.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	Glencore	UK	Materials	1.28	√
	Shell	UK	Energy	1.13	√
	Pylon Technologies	China	Industrials	0.99	√
	Nexans	France	Industrials	0.99	√
	Bank of Ireland	Ireland	Financials	0.80	√
Top Detractors	A-Living Services	China	Real Estate	-1.20	√
	VNET Group	China	Information Technology	-1.09	√
	Flutter Entertainment	Ireland	Consumer Discretionary	-0.91	√
	Cemex	Mexico	Materials	-0.86	√
	Toyo Gosei	Japan	Materials	-0.82	√

Portfolio Breakdown (%)

	TT Non-US		MSCI ACWI ex-US
	30 Jun	30 Sep	30 Sep
	Canada	1.8	1.2
Argentina	1.1	1.3	
China	9.1	7.6	9.2
India	1.4	1.6	4.5
Mexico	1.6	1.5	0.7
Taiwan	3.3	3.3	4.0
Emerging Markets	16.5	15.2	29.3
Denmark	1.5	3.8	1.7
France	13.1	8.8	7.1
Germany	7.5	10.6	4.7
Ireland	4.8	4.7	0.4
Netherlands	2.6	3.5	2.6
Portugal		1.4	0.1
Spain	2.1	2.1	1.5
Switzerland	3.1	3.0	6.7
UK	32.5	30.4	9.7
Europe	67.1	68.3	39.8
Japan	6.8	6.4	14.1
Cash	7.9	8.9	
Total	100.0	100.0	100.0

Sector Allocation (%)

	TT Non-US		MSCI ACWI ex-US
	30 Jun	30 Sep	30 Sep
	Communication Services	0.4	0.4
Consumer Discretionary	18.6	14.0	11.4
Consumer Staples	8.3	9.6	9.4
Energy	4.2	4.7	6.2
Financials	11.4	8.6	20.7
Health Care	13.7	14.0	9.6
Industrials	10.8	17.7	12.1
Information Technology	8.1	7.5	10.8
Materials	8.4	6.2	8.2
Real Estate	0.8	0.4	2.4
Utilities	7.3	7.9	3.4
Cash	7.9	8.9	
Total	100.0	100.0	100.0

Top 10 Stocks

June 30, 2022			September 30, 2022		
Security	Country	Weight %	Security	Country	Weight %
Alibaba Group	China	5.3	Shell	UK	4.7
Shell	UK	4.2	Alibaba Group	China	4.1
AstraZeneca	UK	4.1	Nexans	France	3.5
TSMC	Taiwan	2.7	AstraZeneca	UK	3.1
Nexans	France	2.6	Compass Group	UK	3.0
LVMH	France	2.5	Roche	Switzerland	3.0
DCC	UK	2.5	RWE	Germany	3.0
Pernod-Ricard	France	2.5	TSMC	Taiwan	2.8
Phoenix Group	UK	2.4	Novo-Nordisk	Denmark	2.7
Glencore	UK	2.3	Glencore	UK	2.4
Top 10 Positions		31.0	Top 10 Positions		32.5
Top 20 Positions		51.3	Top 20 Positions		53.6
No. of stocks		53	No. of stocks		52

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