Q4 2022

TT NON-US EQUITY FUND

Fund Performance

Past performance does not predict future returns

	Fund Gross	Fund Net	MSCI ACWI ex-US	Net Rel.
December	0.9	0.8	-0.7	1.5
Q4	13.4	12.9	14.4	-1.3
2022	-14.4	-15.6	-15.6	-0.1
1 Year	-14.4	-15.6	-15.6	-0.1
Incep.	-14.7	-15.9	-12.8	-3.5

1 year and Incep. returns are annualised.

Returns are gross of fees in USD

Fund Value (USD mil)	11

Inception 01/09/21

Q4 2022 Attribution

Region Allocation	0.7
Security Selection	-0.8
Currency Effect	-0.7
Management Effect	**-0.8**

Markets

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

Asset Allocation

Europe	70.2	↑
Emerging Markets	13.2	↓
Japan	6.5	•
Canada	1.6	•
Pacific ex Japan	0.5	•
Cash	8.0	•

Top Five Securities %

Shell	UK	4.3
Alibaba Group	China	4.0
Roche	Switzerland	3.3
Nexans	France	3.3
Novo-Nordisk	Denmark	3.2

Global equities rallied from oversold levels in Q4. Chinese stocks were particularly strong towards the end of the period as the government pivoted away from its economically ruinous zero-covid policy. With a relatively low beta, the fund produced a positive absolute return, but lagged the market rally.

Performance

The fund finished behind its benchmark, with outperformance in Emerging Markets and Canada more than offset by underperformance in Japan and a negative FX effect as dollar strength reversed sharply.

Market Background

Global equities rallied from oversold levels in Q4. Chinese stocks were particularly strong towards the end of the period as the government pivoted away from its economically ruinous 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. Thus, while we remain cautious on the outlook for the next few months, we are constructive on the setup for global equities in the medium term. With all this in mind, we continue to be positioned relatively defensively, with some of our key thematic positions being defence (policy tailwinds), electrification (structural growth), healthcare (solid balance sheets) and luxury (genuine pricing power and Chinese reopening beneficiary).

This last point is worth discussing in more detail as China has been the biggest positive delta in equity markets in recent weeks. 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 the country's 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. All of this is positive for risk appetite in China.

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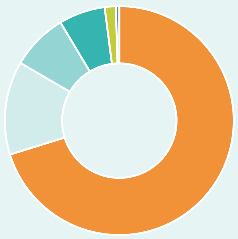
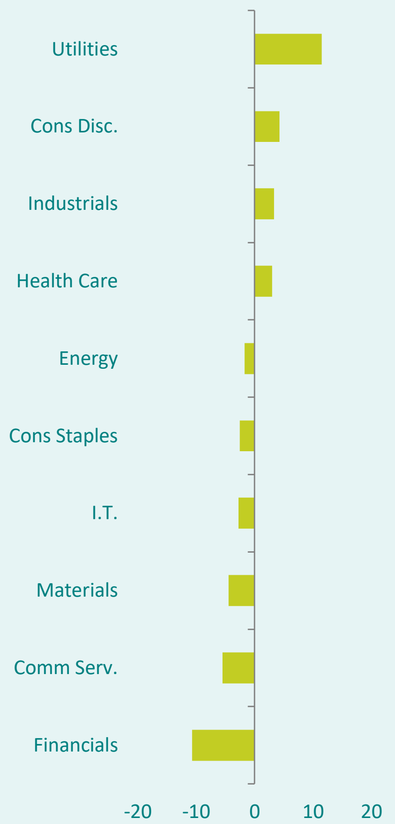
Allocation



- Europe (70.2%)
- Emerging Markets (13.2%)
- Cash (8.0%)
- Japan (6.5%)
- Canada (1.6%)
- Pacific ex Japan (0.5%)

Sectors relative to Index %



Portfolio Positioning

Over the quarter we participated in a placement by UK-based utility provider Telecom Plus. The UK energy market has seen a big shakeup since power prices spiked, with much of the irrational competition folding. Telecom Plus's offer is very competitive in this new market where suppliers are essentially pricing at the UK government's 'price cap' as it has negotiated a long-term discount with a major supplier. It is therefore seeing rapid customer growth.

We also bought Prada and added to Moncler, trimming LVMH to fund the purchases as we see better risk-adjusted return potential. Moncler shares in particular have lagged the Luxury sector substantially, despite the fact that it is one of a select few companies within the sector that still has a retail space-growth angle as its stores are relatively underpenetrated. These businesses should also benefit from a reopening in China, which is one of their biggest markets.

Meanwhile we consolidated the Entain position into Flutter. The latter is guiding that its US sports betting business should break even or turn a profit this year, which is an important milestone that is ahead of schedule.

Elsewhere we risk managed the position in specialist glass manufacturer Hoya as falling NAND memory prices are partially reversing the hard disk drive substrate migration to glass, of which Hoya is the key beneficiary.

We also took some profits in Watches of Switzerland, Bank of Ireland, Experian and Unite Group.

Stocks

Below we highlight a major winner and a major loser:

BAE Systems

BAE Systems is the largest defence contractor in the UK. The shares performed well over the quarter on continued strong execution. 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 generating substantial amounts of cash, and all free cash flow in excess of the £800m dividend will go towards a share buyback programme, which has initially been authorised at £1.5bn. BAE trades on a discount to US peers of almost 30%, 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 benefitting from increased FCF visibility after addressing the pension deficit.

Hoya

Hoya is a specialist glass manufacturer based in Japan. It produces glass for hard drive disk substrates, photomask blanks and eyeglass lenses. Toshiba, Western Digital and Seagate are the 3 main players in the hard disk drive market. Seagate has already transitioned from aluminium to glass substrates, in which Hoya enjoys a near monopoly, while Toshiba and Western Digital have announced their intentions to do so in 2024. Hoya should be the key beneficiary of this migration. That said, NAND memory prices have fallen substantially to a point where this migration story threatens to reverse in the medium to long term. We have trimmed the position size to reflect this risk, but retain a holding as we see a lot of valuation support. Indeed, the stock is as cheap as it has ever been, and Hoya has 10% of its equity value in net cash on the balance sheet. For a business of this quality and where returns are accelerating, such a trough valuation seems unjustified.

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Performance Attribution Q4 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**	**-0.7**	**-0.8**
Equity	**1.2**	**-0.8**	**0.9**	**1.3**
Emerging Markets	0.1	1.0	0.0	1.1
Canada	0.1	0.1	0.3	0.4
Europe	0.8	-1.5	0.7	0.1
Middle East	0.0	0.0	0.0	0.1
Pacific ex Japan	-0.2	0.0	0.1	-0.1
Japan	0.3	-0.4	-0.2	-0.3
Non Equity	**-0.5**	**0.0**	**-1.6**	**-2.1**
Cash	-0.6	0.0	-0.3	-1.0
Foreign Exchange	0.1	0.0	-1.3	-1.2

Highlights

- The fund finished behind its benchmark, with outperformance in Emerging Markets and Canada more than offset by underperformance in Japan and a negative FX effectas dollar strength reversed sharply.
- 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.
- AIB and Bank of Ireland continued to trade higher due to exceptional operating performance. 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.
- Renesas and Hoya were victims of the Bank of Japan's policy adjustment that took place in December, which led to a sharp strengthening of the yen.

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**-0.4**	**0.2**	**-0.7**	**-0.8**
Equities	**0.1**	**0.2**	**1.0**	**1.3**
Financials	-0.2	1.3	0.2	1.2
Utilities	0.0	0.8	0.2	1.1
Consumer Discretionary	0.0	0.1	0.1	0.2
Communication Services	0.1	0.1	0.0	0.2
Materials	0.0	0.1	0.0	0.1
Consumer Staples	0.0	-0.2	0.2	0.0
Energy	0.0	-0.2	0.2	0.0
Health Care	0.0	-0.2	0.2	-0.1
Information Technology	0.1	-0.3	-0.2	-0.4
Industrials	0.2	-1.3	0.2	-0.9
Non Equity	**-0.5**	**0.0**	**-1.6**	**-2.1**
Cash	-0.6	0.0	-0.3	-1.0
Foreign Exchange	0.1	0.0	-1.3	-1.2

Highlights

- At the sector level, outperformance in Financials was outweighed by underperformance in Industrials and I.T.
- Insurer Hiscox performed well as it is a beneficiary of rising rates in that it invests its cash in short-term money market instruments and is therefore able to earn a higher yield.
- Nexans struggled following broker downgrades related to its construction-exposed Usages business. We feel this misses the bigger picture, given the outsized growth opportunity in the High Voltage business.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	AIB Group	Ireland	Financials	0.72	√
	Centrica	UK	Utilities	0.69	√
	360 Digitech	China	Financials	0.57	√
	Novo-Nordisk	Denmark	Health Care	0.33	√
	Bank of Ireland	Ireland	Financials	0.29	√
Top Detractors	Nexans	France	Industrials	-0.46	√
	DCC	UK	Industrials	-0.38	√
	Roche	Switzerland	Health Care	-0.37	√
	Globant	Argentina	Information Technology	-0.31	√
	Jia Yuan	China	Industrials	-0.22	√

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Portfolio Breakdown (%)

	TT Non-US		MSCI ACWI ex-US
	30 Sep	31 Dec	31 Dec
Canada	**1.2**	**1.6**	**7.7**
Argentina	1.3	1.2	
China	7.6	7.3	9.2
India	1.6	1.6	4.1
Korea		1.3	3.2
Taiwan	3.3	1.8	3.9
Emerging Markets	**15.2**	**13.2**	**28.4**
Denmark	3.8	3.2	1.9
Finland		1.7	0.7
France	8.8	5.4	7.6
Germany	10.6	9.1	5.2
Ireland	4.7	6.5	0.4
Italy		1.5	1.5
Netherlands	3.5	4.7	2.7
Portugal	1.4	2.4	0.1
Spain	2.1	2.3	1.5
Switzerland	3.0	3.3	6.5
UK	30.4	30.1	9.8
Europe	**68.3**	**70.2**	**41.3**
Japan	**6.4**	**6.5**	**14.0**
Hong Kong		0.5	1.9
Pacific ex Japan	**0.0**	**0.5**	**8.1**
Cash	8.9	8.0	
Total	**100.0**	**100.0**	**100.0**

Sector Allocation (%)

	TT Non-US		MSCI ACWI ex-US
	30 Sep	31 Dec	31 Dec
Communication Services	0.4	0.4	5.9
Consumer Discretionary	14.0	15.6	11.4
Consumer Staples	9.6	6.3	8.9
Energy	4.7	4.3	6.0
Financials	8.6	10.3	21.0
Health Care	14.0	12.8	9.8
Industrials	17.7	15.6	12.3
Information Technology	7.5	8.0	10.8
Materials	6.2	3.9	8.4
Utilities	7.9	14.8	3.4
Cash	8.9	8.0	
Total	**100.0**	**100.0**	**100.0**

Top 10 Stocks

September 30, 2022			December 31, 2022		
Security	**Country**	**Weight %**	**Security**	**Country**	**Weight %**
Shell	UK	4.7	Shell	UK	4.3
Alibaba Group	China	4.1	Alibaba Group	China	4.0
Nexans	France	3.5	Roche	Switzerland	3.3
AstraZeneca	UK	3.1	Nexans	France	3.3
Compass Group	UK	3.0	Novo-Nordisk	Denmark	3.2
Roche	Switzerland	3.0	Compass Group	UK	3.2
RWE	Germany	3.0	Centrica	UK	3.2
TSMC	Taiwan	2.8	RWE	Germany	3.2
Novo-Nordisk	Denmark	2.7	BAE Systems	UK	3.2
Glencore	UK	2.4	AstraZeneca	UK	3.1
Top 10 Positions		32.5	Top 10 Positions		34.0
Top 20 Positions		53.6	Top 20 Positions		56.0
No. of stocks		52	No. of stocks		50