TT INTERNATIONAL

Q1 2022

TT UK EQUITY FUND

Fund Performance

	Fund Gross	FTSE All Share
March	0.2	1.3
Q1	-0.2	0.5
1 Year	19.0	13.0
3 Year (ann)	16.6	5.3
5 Year (ann)	10.7	4.7
Incep. (ann)	10.4	7.4

Returns are gross of fees in GBP

Inception 01/04/04

Q1 2022 Attribution

Sector Allocation	-1.4
Security Selection	0.7
Currency Effect	-0.1
Management Effect	**-0.7**

Markets

Source: MSCI/ TT International. Fund return is Gross of Fees. Index return is the Total Return with Gross Dividends reinvested.

Sector Allocation

Consumer Discretionary	20.8 •
Industrials	16.1 ↓
Consumer Staples	14.0 ↑
Energy	11.7 ↑
Health Care	11.5 •

Top Five Active Overweights

Pernod-Ricard	2.8
Shell	2.6
AstraZeneca	2.6
Glencore	2.5
Phoenix Group	2.4

UK equities sold off as Russia invaded Ukraine, before regaining their poise towards the end of the quarter. The invasion sent commodity prices soaring, catalysing a rally in many of the UK's commodity related stocks. The fund saw a negative absolute return, underperforming its benchmark.

Performance

The fund finished behind its benchmark, with outperformance in Basic Materials and Financials more than offset by underperformance in Consumer Discretionary and Industrials.

Market Background

UK equities sold off as Russia invaded Ukraine, before regaining their poise towards the end of the period. The invasion sent commodity prices soaring, catalysing a rally in many of the UK's commodity related stocks.

Outlook

It has been a tumultuous first quarter for equity markets, with Russia committing the biggest act of aggression on European soil since the Second World War. As Lenin famously remarked: "There are decades where nothing happens; and there are weeks where decades happen." Russia's invasion of Ukraine has turbocharged the spike in commodity prices across the board and already appears to have catalysed a momentous shift in global energy policy. The inflation genie may finally be out of the bottle, with central banks scrambling to shift their monetary policy stance in an attempt to regain control. Recessionary indicators are flashing red, most notably the inversion of the US 2y-10y yield curve, and there is a growing risk that central banks commit a policy error by overtightening.

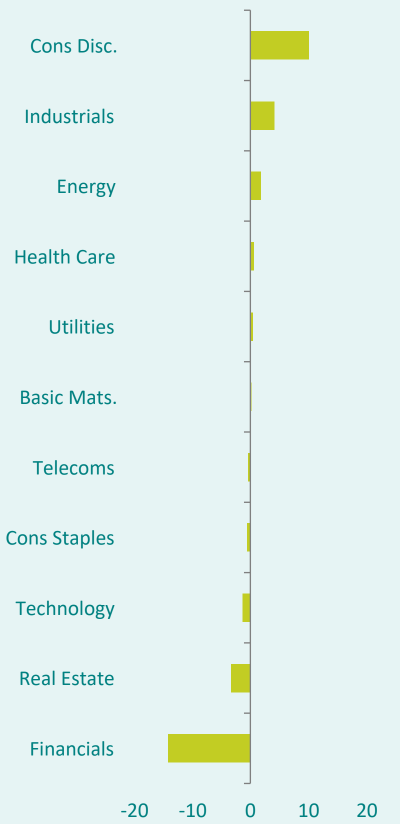
With so many powerful crosscurrents battering investors, equity market volatility is likely to remain elevated in the near-term. Against this backdrop, we have been positioning the fund more defensively, reducing beta and raising some cash, which gives some dry powder to deploy when we find stocks that we believe have strong long-term investment cases, but which have become overly discounted in the present volatility.

Thematically we remain exposed to the reopening trade, albeit in a more nuanced way, recognising that some of these companies - particularly in the air travel space - have large fuel costs. We have therefore shifted exposure to other areas of the reopening trade that are less vulnerable to rising fuel costs. Hospitality company Whitbread is an example of a stock that we continue to like in the space. It offers exposure to the reopening thematic, yet has minimal energy costs and the bulk of its market cap is underpinned by the NAV of its property assets. We have also added to Compass Group, where we believe that accelerating revenue growth will more than offset any additional inflationary pressures.

Similarly, we maintain exposure to the environmental theme across a range of names. While there are short-term headwinds in the form of higher input cost pressures for some environmental solutions companies such as paper packaging company Smurfit Kappa, recent developments will almost certainly accelerate the green transition in the medium-term as the West looks to wean itself off Russian energy, and the green transition has morphed from an environmental issue into a foreign policy one. This should benefit our environmental holdings such as Ceres Power and Smart Metering Systems in the long run.

Finally, we are overweight both Energy and Mining, given the ongoing strength in commodity prices. We believe that the supply impact of the green energy transition is exacerbating the fundamental tightness in the oil market, meaning that prices should remain elevated. Many oil companies are actively encouraged by investors to return capital or invest in renewable energy rather than drilling for more oil. Consequently, non-OPEC oil supply appears to be peaking, while OPEC is delivering below its quota. We are therefore seeing spare capacity fall and inventories drawing down at a time of the year time when they are usually increasing.

Sectors relative to Index %



Portfolio Positioning

For several months we have been positioning the fund more defensively to account for the increasingly challenging macro backdrop. With this in mind, we bought Tesco and skincare company Beiersdorf, which owns the Nivea brand amongst others. The former is highly cash generative and we expect it to return capital to shareholders. The latter has an impressive new management team and offers a turnaround story. It is attractively valued versus peers in our view, and has around 25% of its market cap in cash. The company also has some exposure to the reopening theme, with several areas of its business affected by COVID, including suncare, deodorant and its sales of premium skincare through the travel retail channel.

We also bought contract catering business Compass Group, which should benefit as offices open up and people return to work. Food price inflation continues to accelerate, exacerbated by the war in the breadbasket of Europe. This is strengthening the case for companies to outsource catering to specialist operators that benefit from economies of scale. As one of the largest companies in the space, Compass is well placed to capture significant market share in our view.

Conversely, we took profits in Weir Group and switched the position in Barclays into Natwest. We believe the latter offers a better risk/reward dynamic in the current backdrop, given that Barclays is heavily exposed to investment banking, while Natwest is more exposed to the relatively low risk mortgage business.

Finally, as soon as it became clear that Russia would invade Ukraine we cut all direct exposure to Russia by selling our position in gold miner Polymetal. We also managed the position size in Coca-Cola Hellenic, which operates in Russia and Ukraine. However, we maintain exposure to CCH as we believe that the risk is more than discounted in the current share price.

Stocks

Below we highlight a major winner and a major loser:

Glencore

Glencore is a multinational commodity trading, marketing and mining company. It has exposure to a range of commodities, including thermal coal, oil, natural gas, copper, cobalt, nickel and zinc. The price of commodities has risen sharply across the board, with thermal coal up 150% in the past few weeks alone. Consequently, Glencore's EBITDA and cashflow should rise substantially. Meanwhile, its trading division should be able to exploit the commodity price volatility to improve earnings further.

CCH

CCH is one of the larger coke bottlers within the global Coca-Cola ecosystem, with diversified exposure across both developed and emerging markets. The company has relatively significant exposure to Russia and Ukraine, which combined account for some 20% of profit. This will undoubtedly be severely impacted by the current conflict, and the shares have sold off significantly as a result. Whilst we had risk-managed the position down ahead of the conflict breaking out, the fund was still impacted by a c.35% fall in the shares in the wake of the invasion. Although uncertainty remains high regarding the future of its Russian and Ukrainian operations, we believe the share price has fully written off those businesses to zero and as such we continue to own the shares.

Performance Attribution Q1 2022

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

Sector Selection (%)

Sector	Sector Allocation	Security Selection	Currency Effect	Management Effect
Total Portfolio	**-1.4**	**0.7**	**-0.1**	**-0.7**
Equities	**-1.3**	**0.7**	**0.0**	**-0.6**
Basic Materials	0.2	0.7	0.0	0.9
Financials	0.3	0.5	0.0	0.8
Technology	0.3	0.0	0.0	0.2
Real Estate	0.2	0.0	0.0	0.2
Health Care	0.0	0.1	0.0	0.1
Consumer Staples	0.1	-0.1	0.0	0.1
Energy	-0.2	0.0	0.0	-0.2
Telecommunications	0.0	-0.2	0.0	-0.2
Utilities	0.0	-0.5	0.0	-0.5
Industrials	-1.0	0.1	0.0	-0.8
Consumer Discretionary	-1.3	0.1	0.0	-1.2
Non Equity	**-0.1**	**0.0**	**-0.1**	**-0.1**
Cash	-0.1	0.0	0.0	0.0
Foreign Exchange	0.0	0.0	-0.1	-0.1

Highlights

- The fund finished behind its benchmark, with outperformance in Basic Materials and Financials more than offset by underperformance in Consumer Discretionary and Industrials.
- The war in Ukraine has turbocharged commodity price spikes across the board. The fund's holdings in Glencore, Anglo American and Shell all performed well against this backdrop.
- AstraZeneca traded higher over the quarter. There was limited stock-specific news, but the company is a leader in a relatively defensive sector and is therefore attracting investors, given the current volatility.
- Bank of Ireland performed well as it is a beneficiary of rising rates and released strong results.
- Watches of Switzerland came in for some profit taking after a very strong 2021.
- Building materials business CRH sold off due to concerns over margin pressure due to higher input costs. We believe that these concerns are more than reflected in the valuation.
- CCH struggled due to concerns over its exposure to Russia and rising raw material costs. Again, we believe that these risks are more than reflected in the current price.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	Glencore	UK	Basic Materials	0.76	√
	Anglo American	UK	Basic Materials	0.52	√
	Shell	UK	Energy	0.51	√
	Unilever	UK	Consumer Staples	0.49	×
	AstraZeneca	UK	Health Care	0.37	√
Top Detractors	RWS Holdings	UK	Industrials	-0.76	√
	HSBC	UK	Financials	-0.72	×
	Rio Tinto	UK	Basic Materials	-0.68	×
	Coca-Cola Hellenic	UK	Consumer Staples	-0.63	√
	BP PLC	UK	Energy	-0.47	√

Q1 2022

TT UK EQUITY FUND

Sector Allocation (%)

	TT UK		FTSE All Share
	31 Dec	31 Mar	31 Mar
Basic Materials	11.6	8.9	8.8
Consumer Discretionary	20.8	20.8	10.8
Consumer Staples	10.4	14.0	14.6
Energy	7.5	11.7	9.9
Financials	10.0	8.5	22.6
Health Care	10.9	11.5	10.9
Industrials	22.1	16.1	12.0
Real Estate			3.3
Technology	0.1	0.0	1.4
Telecommunications	1.8	1.7	2.1
Utilities	3.2	4.1	3.6
Cash	1.6	2.7	
Total	**100.0**	**100.0**	**100.0**

Top 10 Active Overweights

December 31, 2021 Security	Absolute Position %	Active Weight %	March 31, 2022 Security	Absolute Position %	Active Weight %
Coca-Cola Hellenic	2.7	2.5	Pernod-Ricard	2.8	2.8
Glencore	4.4	2.5	Shell	9.2	2.6
AstraZeneca	7.8	2.4	AstraZeneca	9.0	2.6
CRH	3.4	2.2	Glencore	5.2	2.5
Standard Chartered	2.5	2.0	Phoenix Group	2.6	2.4
Anglo American	3.4	2.0	Watches of Switzerland	2.4	2.3
Flutter Entertainment	2.7	1.9	DCC	2.4	2.1
Shell	6.7	1.7	Roche	2.1	2.1
Reckitt Benckiser	2.8	1.2	Compass Group	3.2	2.0
British American Tobacco	3.1	0.6	Beiersdorf	1.9	1.9
Top 10 Positions		39.5	Top 10 Positions		44.6
Top 20 Positions		60.8	Top 20 Positions		65.4
No. of stocks		52	No. of stocks		46