Q2 2024

# TT UK EQUITY FUND

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## Fund Performance

Past performance does not predict future returns

| | Fund Gross | Fund Net | FTSE All Share | Gross Rel. | Net Rel. |
|---|---|---|---|---|---|
| June | -2.1 | -2.1 | -1.2 | -0.9 | -1.0 |
| Q2 | 3.1 | 2.9 | 3.7 | -0.6 | -0.8 |
| YTD | 7.5 | 7.0 | 7.4 | 0.1 | -0.4 |
| 1 Year | 10.8 | 9.5 | 13.0 | -2.0 | -3.1 |
| 3 Year | 8.3 | 7.0 | 7.4 | 0.8 | -0.4 |
| 5 Year | 13.1 | 11.8 | 5.5 | 7.2 | 5.9 |
| 10 Year | 10.1 | 8.8 | 5.9 | 4.0 | 2.8 |
| Incep. | 10.3 | 9.0 | 7.3 | 2.8 | 1.6 |

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

Returns are in GBP

Fund Value (GBP mil) 43

Inception 01/04/04

The following information is in addition to, and should be read only in conjunction with, the performance data presented above.

| | Fund Gross | Fund Net | FTSE All Share | Rel. | Net Rel. |
|---|---|---|---|---|---|
| 2014 | 1.3 | 0.1 | 1.2 | 0.1 | -1.1 |
| 2015 | 10.2 | 8.9 | 1.0 | 9.1 | 7.9 |
| 2016 | 10.7 | 9.4 | 16.8 | -5.2 | -6.3 |
| 2017 | 15.4 | 14.0 | 13.1 | 2.0 | 0.8 |
| 2018 | -13.7 | -14.7 | -9.5 | -4.7 | -5.8 |
| 2019 | 22.2 | 20.8 | 19.2 | 2.5 | 1.3 |
| 2020 | 12.6 | 11.2 | -9.8 | 24.8 | 23.3 |
| 2021 | 26.5 | 25.0 | 18.3 | 6.9 | 5.6 |
| 2022 | 5.6 | 4.3 | 0.3 | 5.2 | 4.0 |
| 2023 | 7.3 | 6.1 | 7.9 | -0.5 | -1.7 |
| 2024 | 7.5 | 7.0 | 7.4 | 0.1 | -0.4 |

## Q2 2024 Attribution

| | |
|---|---|
| Sector Allocation | -0.5 |
| Security Selection | -0.1 |
| Currency Effect | 0.0 |
| **Management Effect** | **-0.6** |

## Sector Allocation

| | |
|---|---|
| Industrials | 25.1 ↑ |
| Consumer Discretionary | 15.2 ↓ |
| Consumer Staples | 12.5 ↓ |
| Financials | 10.0 • |
| Health Care | 9.2 ↓ |

## Top Five Active Overweights

| | |
|---|---|
| Serco Group | 2.6 |
| Balfour Beatty | 2.5 |
| Telecom Plus | 2.4 |
| Glencore | 2.2 |
| Glanbia | 2.1 |

UK equities rallied in Q2, achieving new all-time highs. The fund saw a positive absolute return, underperforming its benchmark.

## Performance

The fund finished behind its benchmark, with outperformance in Health Care and Utilities more than offset by underperformance in Consumer Discretionary and Industrials.

## Market Background

UK equities rallied in Q2, achieving new all-time highs.

## Outlook

Positioning remains relatively balanced, with the beta having edged up since the beginning of the year to its current level of around 1.0. This reflects our view that the outlook is improving as macro indicators in the UK continue to pick up, particularly in the depressed manufacturing space. Although there has been a slight hiatus in terms of activity into the election, we ultimately believe that the change of government will be a positive catalyst for the economy, since the country was clearly unhappy with the previous administration, as evidenced by the collapse in the number of Conservative seats. As a relatively centre-left government, we do not expect any extremely radical policy changes. Meanwhile, although expectations for the pace of rate cuts have been pushed out, we still expect interest rates to fall over time. The combination of political clarity, eventually falling rates and the continued recovery in consumer confidence makes us reasonably constructive on the domestic UK economy. For this reason we have continued to increase our exposure to mid-cap companies, the performance of which often correlates with the economy to a greater degree than for large-caps. There may also be scope for a rerating of the UK market as a whole as risk premia fall. Indeed, the UK's centre-left government and its large majority could mean that the UK market begins to be seen as a potential safe haven, given growing political risks in both Europe and the US.

In light of our constructive view, we have added to Industrials, the UK consumer and housing. In Industrials we added to Serco, Balfour Beatty, Renewi and Chemring. Within the consumer area we already owned the likes of Howdens, but also bought M&S and Deliveroo, and added to Watches of Switzerland. The Labour government made a firm manifesto pledge to increase new build housing, while the secondary housing market is at a low ebb, and looks set to pick up as interest rates come down. With this in mind, we added to Grafton and bought a new position in Breedon, both of which have exposure to the UK housing market.

We also added to Mining over the course of Q2, principally through Glencore, where the valuation looks very attractive in the context of the sector. Importantly, one of the issues that has been an overhang for Glencore has been awaiting the completion of the Teck Resources coking coal acquisition. This has now completed in the first week of Q3, and therefore the focus should move on to the very cheap valuation and the prospect of returning excess capital to shareholders. Here the story is improving as it now looks less likely that Glencore will demerge its coal business, meaning it should be able to return more cash to shareholders. We also like the fact that Glencore does not have any exposure to iron ore, where we continue to be cautious.

Whilst we expect the government change to be a positive catalyst for the market generally, we must also acknowledge that public finances are tight, and therefore certain sectors may be in the crosshairs for potential tax raids. We do not believe the portfolio is particularly exposed to this risk, but we will continue to be vigilant about where the risks might lie, taking action accordingly, as we already have done in reducing Flutter.

INTERNATIONAL

Q2 2024

# TT UK EQUITY FUND

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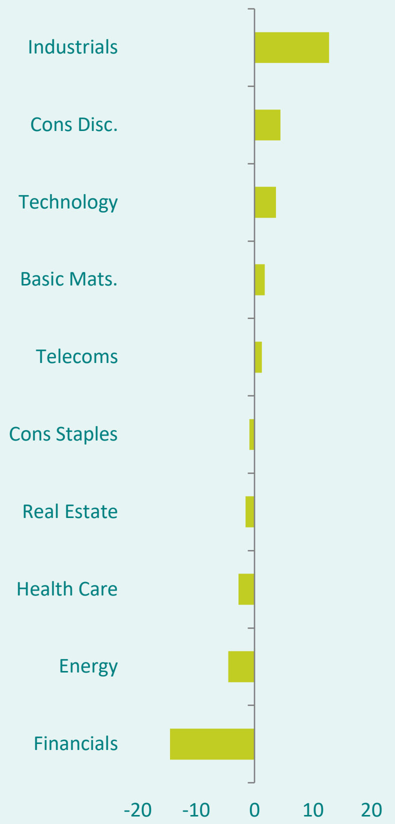
## Sectors relative to Index %




## Portfolio Positioning

Over the quarter we bought Lloyds Banking Group, switching some of the position out of NatWest on relative valuation grounds. We are optimistic about a net interest margin inflection point coming through over the coming months. Meanwhile, deposit flows have been stable, and management remain optimistic on their mid-teens Return on Tangible Equity targets.

Another purchase was construction materials company Breedon, which supplies aggregates, cement and asphalt. Historically it has focused on the UK and Ireland, where it has built up big market positions. However, it has recently bought a complementary business in North America, which should provide another leg of growth. This should be organic from within the existing footprint, particularly from its underutilised quarry assets, as well as inorganic by using this platform to do further acquisitions in the US, as the current business comes with an active acquisition pipeline. This comes at a time when Breedon's existing UK and Ireland business is cyclically depressed. However, the new Labour government has promised to increase new build housing, which should support the business. Finally, the starting point of valuation is near an all-time low.

Conversely, we sold RELX as the stock reached our price target against a backdrop where there are many good ideas competing for capital at present.

We also took some profits in GSK and AstraZeneca, fully exiting the former.

Finally, we trimmed Flutter as sports betting taxes have increased sharply in Illinois, which could be the start of a trend in other US states. Similarly, there is also potential risk of additional taxes in the UK following the change in government.

## Stocks

Below we highlight a major winner and a major loser:

### Marks & Spencer

M&S is a retailer selling a wide range of products, including clothing, home goods, and food. The operational momentum in the business over the last 12-18 months has been very strong, and now looks to have decisively turned a corner. Such strength has been seen across the business, from food to clothing. The latter has endured two decades of losing market share, but this has started to inflect over the last couple of years. This turnaround is the result of a new management team that joined in recent years, improving many aspects of the business and fixing the balance sheet. There is also a growth story in the food business as it still has a relatively low market share, and is expanding into new space. Despite this growth and operational turnaround, the shares were trading on just 10x earnings when we bought them, with a high single digit free cash flow yield. We believed there was rerating potential as well as upside risk to numbers, which played out in the full year results, with upgrades driving the stock higher. We believe there are further upgrades to come, and also expect the stock to be rated more highly.

### Serco

Serco is a global outsourcing company providing essential services to governments and private sector clients. With operations in over 30 countries, it offers services in defence, justice, immigration, healthcare and transport. Following a very strong Q1, the stock drifted over the quarter amid uncertainty over the potential implications of a change in UK government. We do not believe there will be any seismic changes as a result of the new administration. Indeed, Serco management have been working with shadow cabinet members for the past 12-18 months to help ensure that the status quo is maintained. Over the past two years Serco has had three large contracts that were up for renewal. It has successfully rebid for two and a decision on the final contract is expected soon. We see a good chance that it retains this contract, which would likely act as a positive catalyst for the shares as then there will be no significant contracts up for renewal for some time. Finally, with a very strong balance sheet, we see scope for Serco to undertake accretive acquisitions as well as ongoing share buybacks, which would help to maintain its positive earnings momentum.

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Q2 2024

# TT UK EQUITY FUND

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## Performance Attribution Q2 2024

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** | **-0.5** | **-0.1** | **0.0** | **-0.6** |
| **Equities** | **-0.5** | **-0.1** | **-0.1** | **-0.6** |
| Health Care | 0.1 | 0.5 | 0.0 | 0.6 |
| Utilities | 0.0 | 0.5 | 0.0 | 0.5 |
| Consumer Staples | 0.0 | 0.4 | 0.0 | 0.3 |
| Technology | 0.2 | 0.0 | 0.0 | 0.1 |
| Basic Materials | -0.1 | 0.2 | 0.0 | 0.1 |
| Telecommunications | 0.1 | -0.1 | 0.0 | 0.0 |
| Real Estate | 0.0 | -0.1 | 0.0 | 0.0 |
| Financials | -0.4 | 0.1 | 0.0 | -0.3 |
| Energy | -0.1 | -0.4 | 0.0 | -0.5 |
| Industrials | -0.1 | -0.5 | 0.0 | -0.6 |
| Consumer Discretionary | -0.2 | -0.7 | 0.0 | -0.9 |
| **Non Equity** | **0.0** | **0.0** | **0.0** | **0.1** |

### Highlights

- The fund finished behind its benchmark, with outperformance in Health Care and Utilities more than offset by underperformance in Consumer Discretionary and Industrials.
- AstraZeneca performed well due to optimism over a Capital Markets Day during which it outlined its longer-term growth plans.
- National Grid was another winner for the fund. We began the period not owning the shares, which sold off sharply following news that the company plans to raise £7 billion to accelerate its transition to renewable energy sources. We took advantage of the sell-off as we believed that a valuation opportunity had opened up.
- Ryanair struggled due to some tempering of optimism around summer pricing.
- Trainline sold off as the incoming Labour government has announced that it will look to nationalise the train operating companies. Whilst we do not believe this will be a major problem for Trainline’s business model, it has created uncertainty.
- Similarly, government outsourcing company Serco drifted amid uncertainty over the potential implications of a change in UK government.

### Stock Selection (%)

| | Stock | Country | Sector | Management Effect (%) | TT Held |
|---|---|---|---|---|---|
| **Top Contributors** | Diageo | UK | Consumer Staples | 0.50 | ´ |
| | National Grid | UK | Utilities | 0.24 | √ |
| | AstraZeneca | UK | Health Care | 0.19 | √ |
| | Marks & Spencer | UK | Consumer Discretionary | 0.17 | √ |
| | GSK | UK | Health Care | 0.16 | √ |
| | | | | | |
| **Top Detractors** | Ryanair | Ireland | Consumer Discretionary | -0.51 | √ |
| | Trainline | UK | Consumer Discretionary | -0.31 | √ |
| | Shell | UK | Energy | -0.28 | √ |
| | RELX | UK | Consumer Discretionary | -0.24 | √ |
| | HSBC | UK | Financials | -0.23 | √ |

## Sector Allocation (%)

| | TT UK | | FTSE All Share |
|---|---|---|---|
| | 31 Mar | 30 Jun | 30 Jun |
| Basic Materials | 5.9 | 8.8 | 7.1 |
| Consumer Discretionary | 18.1 | 15.2 | 10.8 |
| Consumer Staples | 14.2 | 12.5 | 13.4 |
| Energy | 6.2 | 6.7 | 11.2 |
| Financials | 10.3 | 10.0 | 24.5 |
| Health Care | 13.5 | 9.2 | 12.0 |
| Industrials | 21.4 | 25.1 | 12.3 |
| Real Estate | 1.1 | 1.1 | 2.6 |
| Technology | | 5.0 | 1.3 |
| Telecommunications | 2.7 | 2.5 | 1.2 |
| Utilities | 4.5 | 3.6 | 3.6 |
| Cash | 2.0 | 0.4 | |
| **Total** | **100.0** | **100.0** | **100.0** |

## Top 10 Active Overweights

| March 31, 2024 Security | Absolute Position % | Active Weight % | June 30, 2024 Security | Absolute Position % | Active Weight % |
|---|---|---|---|---|---|
| Serco Group | 2.8 | 2.7 | Serco Group | 2.7 | 2.6 |
| Telecom Plus | 2.7 | 2.7 | Balfour Beatty | 2.6 | 2.5 |
| AstraZeneca | 9.0 | 2.3 | Telecom Plus | 2.5 | 2.4 |
| BAE Systems | 3.0 | 1.3 | Glencore | 4.5 | 2.2 |
| Glencore | 3.5 | 1.3 | Glanbia | 2.1 | 2.1 |
| RELX | 3.9 | 1.1 | Marks & Spencer | 2.4 | 2.1 |
| Unilever | 5.2 | 1.0 | DCC | 2.3 | 2.1 |
| BP | 3.9 | 0.4 | BP | 5.3 | 2.0 |
| GSK | 3.2 | 0.3 | Heineken | 2.0 | 2.0 |
| HSBC | 2.9 | -2.1 | Breedon Group | 1.9 | 1.9 |
| Top 10 Positions | | 40.2 | Top 10 Positions | | 40.2 |
| Top 20 Positions | | 62.5 | Top 20 Positions | | 61.7 |
| No. of stocks | | 51 | No. of stocks | | 52 |

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## Additional Fund Performance Information:

### Fund 12-Month Discrete Periods (%)

| | Jul 23 - Jun 24 | Jul 22 - Jun 23 | Jul 21 - Jun 22 | Jul 20 - Jun 21 | Jul 19 - Jun 20 |
|---|---|---|---|---|---|
| Gross of fees | 10.8 | 8.1 | 6.0 | 38.6 | 5.2 |
| Net of fees | 9.5 | 6.9 | 4.7 | 37.0 | 3.9 |
| Index | 13.0 | 7.9 | 1.6 | 21.5 | -13.0 |
| Relative (gross) | -2.0 | 0.2 | 4.3 | 14.1 | 20.9 |
| Relative (net) | -3.1 | -0.9 | 3.0 | 12.8 | 19.4 |

### Important Information:

**Shareholder Rights**

A Prospectus is available for the Fund and Key Investor Information Documents (KIIDs) are available for each share class of each the sub-funds of the Fund. The Fund's Prospectus can be obtained from www.ttint.com/fund-documentation/ and is available in English. The KIIDs can be obtained from www.ttint.com/fund-documentation  and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from www.ttint.com/fund-documentation . The summary is available in English. The sub-funds of the Fund are currently notified for marketing into a number of EU Member States under the UCITS Directive. The Fund can terminate such notifications for any share class and/or sub-fund of the Fund at any time using the process contained in Article 93a of the UCITS Directive.



Switzerland: Prospectus, Key Investor Information Documents, Articles of Association, annual and semi-annual reports of the Fund may be obtained free of charge from the Swiss Representative (First Independent Fund Services AG, Klausstrasse 33, 8008 Zurich) and Paying Agent (NPB New Private Bank Ltd, Limmatquai 1, CH-8024 Zurich).

**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.