

### Fund Information

#### Portfolio Managers

Robert James | Niall Paul

#### Target Return

5% outperformance per annum on a three-year rolling basis

#### Expected Capacity

USD 1.25bn + USD 200m for existing clients

#### Benchmark

MSCI Emerging Markets Index

#### Typical Tracking Error

6-10%

#### Fund Inception

June-2015

#### Assets under management

Fund: USD 589,413,991

Strategy: USD 1,185,131,442

### Fund Performance

	Fund Gross	MSCI EM
June	-4.8	-6.6
Q2	-9.1	-11.3
YTD	-19.2	-17.5
1 Year	-32.8	-25.0
3 Year (ann)	3.8	0.9
5 Year (ann)	4.9	2.5
Incep. (ann)	8.5	2.9

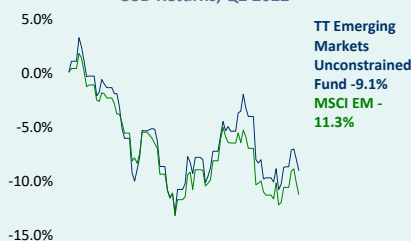
Returns are gross of fees in USD

Fund Value (USD mil) 589

Inception 26/06/15

### Markets

USD Returns, Q2 2022



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

EM equities, as with most asset classes, experienced a disappointing Q2, ending a weak quarter and finishing towards the recent lows. The fund saw a negative absolute return whilst outperforming its benchmark over the month and quarter.

### Performance

The fund finished comfortably ahead of its benchmark for the quarter, with outperformance particularly notable in China, South Africa and Nigeria.

### Market Background

EM equities continued to be volatile with weakness towards the end of the quarter reflective of rising recessionary fears as inflation concerns continue to dominate market sentiment.

### Outlook

The sell-off in global markets continued to develop momentum in June, with the twin impact of market multiple compressions – a result of rising interest rates and quantitative tightening - and lower expectations for earnings both weighing heavily on sentiment. Emerging markets are now starting to look extremely cheap with P/E and P/BV multiples approaching typical recessionary low levels seen only a handful of times over the last twenty years.

Global economic data has continued to surprise on the downside, with most measures of consumer confidence at all-time lows, reflecting the acute cost of living crisis as households adjust to elevated food and energy prices. Meanwhile purchasing managers are beginning to ratchet down their new order intentions as they begin to reflect the record levels of inventories in the system and their observations of weakening end demand. Hand in hand with this weak economic data is perhaps the first signs of demand destruction from extremely elevated commodity prices with ‘Dr Copper’ signalling the balance of supply/demand tipping towards the former. Herein lies perhaps the main source of comfort from the weak data: inflation pressure might well have peaked as bad news on the economy becomes good news on the outlook for rates.

The strong dollar, however, supported by interest rate differentials and liquidity tightening, continues to lie in the background as a drag on global sentiment. In this environment it is important that domestic interest rate policy is sufficiently advanced in our emerging markets to support sentiment and underpin exchange rates. In this light we have some concerns on the Indian rupee as terms of trade and fiscal balances are impacted by strong oil prices whilst the Reserve Bank of India is slow to adjust

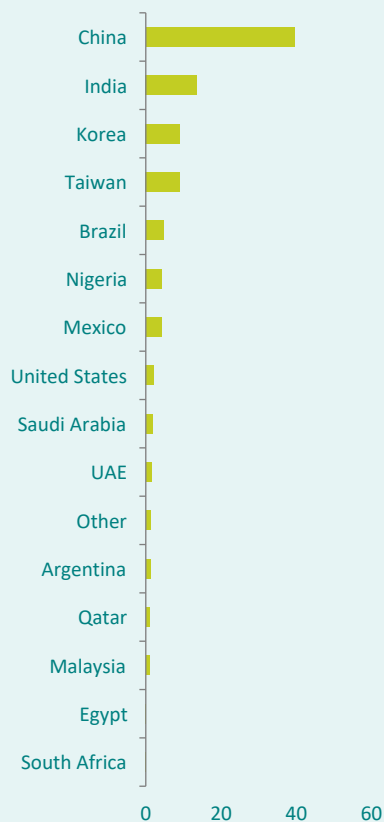
monetary policy.

China has been the source of most positive news in part due to further supportive statements from President Xi which helped boost confidence in the market. The Chinese economy has been decelerating since 2021 on the back of proactive policy tightening. This started with measures to deleverage the property sector and quickly morphed into regulatory pressures on private sector businesses ranging from the large internet platforms to education and healthcare companies with ‘common prosperity’ becoming a central tenet behind the government’s policy making.

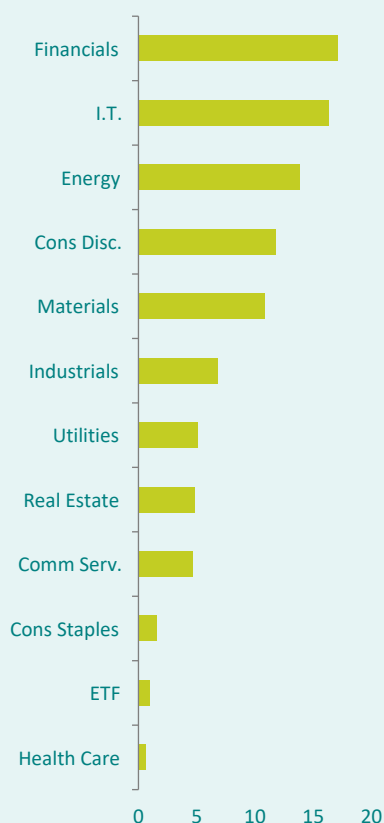
With the economy now growing at anaemic levels and unemployment becoming a focus on the back of a more challenging global outlook, we are seeing very clear signals that the government is shifting its focus back towards growth-oriented policies. Xi reiterated his commitment to achieving 5.5% GDP growth for 2022 which implies a notable acceleration over 2H. As for the large internet platforms, we have seen share buybacks accelerate, and what finally appears to be the start of the process to bring Ant Financial to the market with its long-awaited IPO. We have also seen the government provide mainland Chinese investors the permission to buy the HK Technology ETF, bringing access to companies like Alibaba for the very first time. In sum, China is one of the few large economies that has the fiscal and monetary scope to stabilise growth in the midst of a more challenged global environment, whilst micro policies appear designed to aid in a re-rating of the market - the upshot is that the portfolio has increased its exposure.

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## Absolute Country Weights %



## Absolute Sector Weights %



## Portfolio Positioning

Semiconductor stocks have underperformed sharply over recent months as the market started to price in a recession and some demand destruction in the near term. We have seen excess demand being taken out of the system particularly in low-end PCs and smartphones. While we acknowledge these near-term impacts and some potential negative revisions on the back of a weaker economy, we believe some names are starting to look increasingly attractive on the back of a strong long-term outlook.

This is partly because silicon chips are becoming a key enabler in driving long-term economic growth as secular trends in cloud, AI, ML, industrial and autos continue to evolve and progress over the coming years. These long-term drivers should support a 7-9% growth over the coming decade - much faster than what we have seen in the previous decade. TSMC, as the leading global foundry player, is the key company enabling this global trend. The stock has de-rated on back of global recession fears, but we believe its current valuation already incorporates a slowdown and it is not properly reflecting its long-term growth outlook. We expect TSMC to be able to sustain a mid-teens top-line growth over the coming five years on the back of strong volumes and ASP improvements. The stock is currently trading at 12x 2023 earnings or more than one standard deviation below its 7-year average despite its prospects being stronger today than in past previous cycles.

Elsewhere we have reduced our positions in selective outperforming commodity producers (Glencore/OCI), whilst ensuring that valuations remain well underpinned - towards trough - for any cyclical exposure we have in the portfolio. In the cyclical bucket we would place the memory stocks of South Korea, which we have added to recently. Both Samsung and Hynix are approaching trough P/BV levels, and whilst there is no doubt inventory overhangs in the sector need to be worked through, a very considerable part of those fears are priced in by the market.

Finally we have begun to selectively take profits in some of the more extended Chinese renewable exposure after a strong period of outperformance.

## Stocks

Below we highlight a major winner and a major loser:

### Alibaba

Alibaba is the leading ecommerce and cloud service provider in China. The company de-rated sharply last year on the back of a challenging competitive and regulatory environment. With the Chinese economy growing at anaemic levels and unemployment particularly among the youth segment becoming a more serious problem, we are seeing clear signals that the government is shifting its focus back towards growth-oriented policies. Alibaba, as the leader ecommerce provider, will certainly benefit from a stronger economy in the 2H22 and into 2023.

Alibaba shifted its focus towards cost optimization, and we have started to see the benefits of those decisions in the most recent quarterly results. With a large buyback program in place, the prospect of an acceleration in top line and a disciplined cost approach we expect earnings growth to accelerate over the next 18 months which, coupled with an undemanding valuation, makes a compelling investment case.

### SK Innovation

SK Innovation has the largest oil refining capacity in Korea with over 1.1mbpd. The company is also expanding its EV battery capacity to 220 GWh by 2025 from 77 GWh at present to become a top 5 global manufacturer in the industry. The stock recently underperformed as there was speculation that the Korean government will introduce a tax on refiners as means to subsidise the price at the pump.

Asia refining margins hit a record high in the most recent quarter at over \$30bbl on the back of tight supply and demand environment. We expect this strong pricing environment in the refining division, plus the company reaching breakeven in the battery segment, to lead to large earnings revisions. These factors in tandem with a discounted valuation makes this a high-conviction position.

## Performance Attribution Q2 2022

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

### Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	Savannah Energy	Nigeria	Energy	1.03	√
	360 DigiTech	China	Financials	0.98	√
	Alibaba Group	China	Consumer Discretionary	0.69	√
	Pylon Technologies	China	Industrials	0.51	√
	Pinduoduo	China	Consumer Discretionary	0.48	√
Top Detractors	Barrick Gold	United States	Materials	-0.47	√
	Sea	Indonesia	Communication Services	-0.43	√
	Meituan Dianping	China	Consumer Discretionary	-0.40	√
	Globant	Argentina	Information Technology	-0.39	√
	Yunnan Aluminium	China	Materials	-0.35	√

### Highlights

- The fund finished ahead of its benchmark, with outperformance particularly notable in China and South Africa and Nigeria.
- Alibaba and 360 DigiTech performed well on the hope of easing regulatory pressure on Chinese internet and the potential IPO of Ant Financial.
- Pylon, EVE Energy and Sungrow performed well as expectations began to shift towards reduced margin pressure for the sector as a result of lower commodity prices.
- Key underweight South Africa benefited from a declining FX and a material sector that wilted under the pressure of a strong dollar and weaker commodity prices.
- Long held Savannah Energy (risk country Nigeria), continued its strong performance through the quarter as the market starts to price in the impressive operational performance and accretive transformational deal making the company has delivered.

### Portfolio Breakdown (%)

	TT EM Unconstrained		MSCI EM
	31 Mar	30 Jun	30 Jun
Czech Republic			0.2
Egypt	1.8	0.1	0.1
Greece			0.3
Hungary			0.2
Kuwait			0.8
Nigeria	3.4	4.3	
Poland			0.6
Qatar	1.2	1.1	1.0
Russia			3.6
Saudi Arabia	0.9	1.7	4.3
South Africa	1.7	0.0	3.5
Turkey			0.3
UAE	1.6	1.5	1.3
EMEA	10.5	8.7	12.4
China	35.4	39.6	35.4
India	14.0	13.7	12.7
Indonesia	1.5		1.8
Korea	9.4	9.1	11.2
Malaysia	0.7	1.0	1.5
Pakistan			0.0
Philippines			0.7
Taiwan	12.4	9.1	14.5
Thailand	0.7		1.9
Emerging Asia	74.2	72.4	79.7
Argentina	1.9	1.2	
Brazil	4.3	4.7	4.9
Chile	0.4		0.5
Colombia			0.2
Mexico	3.6	4.2	2.1
Peru			0.2
Latin America	10.2	10.1	7.8
United States	2.1	2.2	0.0
Other	1.4	1.2	0.0
Cash	1.5	5.3	
Total	100.0	100.0	100.0

### Sector Allocation (%)

	TT EM Unconstrained		MSCI EM
	31 Mar	30 Jun	30 Jun
Communication Services	6.6	4.7	10.6
Consumer Discretionary	9.7	11.8	14.9
Consumer Staples	2.8	1.6	6.1
Energy	9.4	13.8	5.0
ETF		1.0	
Financials	12.9	17.1	21.2
Health Care	0.8	0.6	4.0
Industrials	9.0	6.8	5.6
Information Technology	19.2	16.4	19.2
Materials	20.1	10.9	8.4
Real Estate	4.7	4.8	2.1
Utilities	3.4	5.1	2.9
Cash	1.5	5.3	
Total	100.0	100.0	100.0

### Top 10 Stocks

March 31, 2022			June 30, 2022		
Security	Country	Weight %	Security	Country	Weight %
TSMC	Taiwan	8.9	Alibaba Group	China	8.5
Alibaba Group	China	6.6	TSMC	Taiwan	8.3
Samsung Electronics	Korea	4.7	Savannah Energy	Nigeria	4.3
Tencent	China	3.9	360 Digitech	China	4.1
Savannah Energy	Nigeria	3.4	Tencent	China	4.1
360 Digitech	China	2.8	Samsung Electronics	Korea	3.3
Barrick Gold	United States	2.1	Reliance Industries	India	2.6
Renew Energy	India	2.1	Barrick Gold	United States	2.2
Ternium	Mexico	2.1	Eletrobras SA	Brazil	2.1
Yageo	Taiwan	2.0	Oil and Natural Gas Corp	India	1.9
Top 10 Positions		38.5	Top 10 Positions		41.6
Top 20 Positions		56.3	Top 20 Positions		57.9
No. of stocks		65	No. of stocks		61

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