TT INTERNATIONAL

Q2 2021

TT UK EQUITY FUND

Fund Performance

	Fund Gross	FTSE All Share
June	-0.2	0.2
Q2	14.5	5.6
YTD	21.4	11.1
1 Year	38.6	21.5
3 Year (ann)	12.9	2.0
5 Year (ann)	12.7	6.5
Incep. (ann)	10.7	7.3

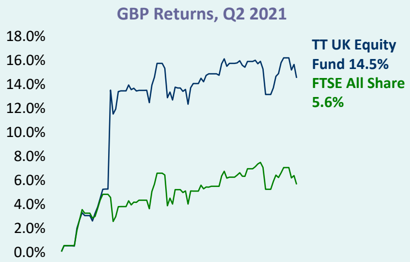
Returns are gross of fees in GBP

Inception 01/04/04

Q2 2021 Attribution

Sector Allocation	8.7
Security Selection	-0.3
Currency Effect	0.0
Management Effect	**8.4**

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	22.7	•
Industrials	20.4	•
Health Care	13.4	↑
Consumer Staples	10.9	•
Financials	9.5	↓

Top Five Active Overweights

AstraZeneca	3.0
DCC	2.6
Coca-Cola Hellenic	2.4
Balfour Beatty	2.3
Glenveagh Properties	2.0

UK equities continued to grind higher on optimism over lockdown easing and economic recovery. The fund saw a positive absolute return, outperforming its benchmark.

Performance

The fund finished ahead of its benchmark, with outperformance in Health Care and Consumer Discretionary somewhat offset by underperformance in Industrials and Telecoms. The fund also received monies from a historical legal claim, which boosted the cash in the fund and significantly enhanced performance over the quarter. In April 2008 RBS undertook a rights issue, selling shares to existing investors. Later that same year, RBS had to be bailed out by the government. A claim was issued against RBS under section 90 of FSMA (issuing a false or misleading Prospectus), on behalf of various claimants who purchased shares in the RBS rights issue. The trial was scheduled to commence in May 2017. TT International's claim against RBS was settled on 29 May 2017, pursuant to a settlement agreement, signed by TT International. Pursuant to the settlement agreement, RBS has made payment of the settlement monies to Signature Litigation LLP in its role as solicitors on the record for TT International in respect of its claim against RBS and Signature Litigation has now passed a proportion of these settlement monies on to the TT UK Equity fund in respect of its (settled) claim.

Market Background

UK equities continued to grind higher on optimism over lockdown easing and economic recovery.

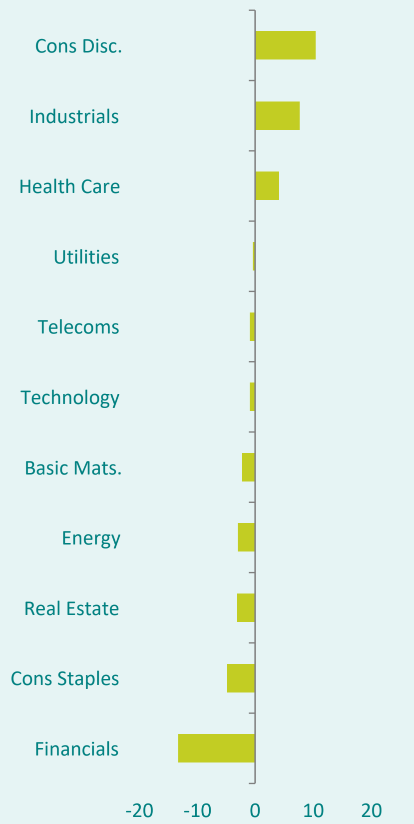
Outlook

In recent months we have been of the view that, after a prolonged rally in equity markets, and a sharp rotation into recovery beneficiaries and cyclicals, we were due a pullback. Accordingly, we had reduced exposure to banks and miners, recycling the capital into more defensive areas such as Health Care, upping the cash position and reducing the overall beta. While we have been tactically more cautious in the near-term, we remain constructive on equity markets over the next 6-12 months. After a correction in some of the cyclical/recovery names, we now feel that the time is right to start increasing our exposure here again. We will therefore look to deploy our cash balance into cyclical names where the valuations have returned to attractive levels in our view.

Thematically, we retain significant exposure to construction through names such as Grafton, Travis Perkins, Breedon, Balfour Beatty, CRH and Wickes. We believe that the outlook for construction in the UK and abroad remains strong, both in terms of housing and infrastructure. Indeed, demand is so strong across all aspects of the construction market that there are now serious issues with the supply of materials. Even though the comparative base gets significantly tougher as we move into the second half of the year, because the UK has underinvested in its housing stock for an extended period of time, these trends look set to endure.

We also maintain exposure to post-covid reopening and recovery themes. This includes hotels, airlines, gym groups and other companies such as medical equipment manufacturer Smith and Nephew and coke bottler CCH. All have been heavily impacted by covid and are well placed to enjoy a strong recovery as we come out of lockdown, especially given the pent-up demand, very strong savings rates and high levels of disposable income. Many of these companies should emerge from the pandemic in even better positions than they were before the crisis, with robust balance sheets and a significant easing in competitive pressure.

Sectors relative to Index %



Portfolio Positioning

Over the quarter we bought medical equipment manufacturer Smith and Nephew, whose biggest markets are the US, Europe and China. The business has been heavily impacted by covid as elective surgeries have been on hold for more than a year, and sporting injuries are down significantly. However, as we come out of lockdown, earnings should recover quickly. Whereas many recovery names are trading above their pre-covid highs, Smith and Nephew is over 20% below them, which seems anomalous.

We also bought language and translation services provider RWS. It recently merged with one of its closest rivals, which was more cost heavy, but had good expertise in promising areas like machine translation. Even after the transaction, the industry remains highly fragmented and RWS still has a net cash balance sheet. It is clear when speaking to management that they see a big opportunity for further consolidation. On the operational side, we felt that the merger synergies would be better than the market anticipated, which has played out as the synergy numbers have been upgraded twice.

Another purchase was Daily Mail, which we see as an attractive sum of the parts story. It has been undergoing a significant shakeup in terms of making disposals, improving efficiencies, and generating a lot of cash. The company's legacy consumer business, including print titles such as the Daily Mail and the Mail on Sunday, is managed well and has decent pricing power in our view. Meanwhile, its Exhibitions business has been significantly impacted by covid, but should recover strongly over the coming months. Finally, it has a stake in online car dealership Cazoo, which has been bought by a SPAC. The implied valuation suggests material upside on a sum of the parts basis, even after applying a 25% discount to Cazoo and a 10% holding company discount.

Conversely, as part of a general theme of reducing the portfolio's mining exposure, we took down our positions in Anglo American, BHP and Polymetal. Commodity prices have performed well, as have the stock prices of many mining companies, while the dollar has stopped weakening and activity in China is beginning to slow as the credit impulse turns slightly more negative. Although we remain constructive on commodities such as copper, against this backdrop it could be difficult for mining stocks to outperform in the near term.

We also exited Philips following the second management communication on the Dreamstation product recall issue. We were concerned about the change in language from management following the initial Q1 update, and we see possible cancer risks that may lead to unquantifiable legal costs as well as reputational damage for management. Although we continue to believe in Philips' healthcare transformation and post-covid recovery investment case, the overhang will likely see shares remaining range bound until we have full clarity from the FDA and a clear path to a resolution, which is unlikely in the near-term.

Finally, we sold UDG Healthcare after it was bid for.

Stocks

Below we highlight a major winner and a major loser:

The Gym Group

The Gym Group is a chain of 24/7 no contract fitness clubs in the UK. The shares performed well after a trading statement at the end of May which showed a faster than expected recovery in membership numbers. We see The Gym Group as a good example of a stock that had an excellent investment case going into covid and now has an even better one coming out of it. We are witnessing a doubling down on health and wellness trends globally, which should lead to increased gym demand. From a supply perspective, it is also in a better position. Local authority gyms were losing money pre-covid and may not reopen as many simply don't have the funding. Meanwhile, some private competition has gone bust. In the low cost sector, its closest competitor Pure Gym is financially constrained as it went into covid with 4-5x Net Debt/EBITDA.

Management see this as a golden opportunity for expansion, given the increasing availability of potential sites and the fact that their competitors are on the back foot. Before the pandemic, there were certain sites such as those in South East London where the economics were marginal. Indeed, previous levels of rent did not give management enough comfort that they could meet their strict 30%+ return on capital target. However, now rents are coming down. In a normal year The Gym Group would open 15-20 gyms, but they are currently targeting 40 gym openings in the next 18 months and have a pipeline of over 80 sites. We see this as a 'new normal' level of growth for the next few years. We recently topped up the position as we continue to see significant upside.

National Express

National Express is an operator of transport services across multiple geographies. Its ALSA business (30% of sales and 34% of operating profits) is the leader in the Spanish road passenger transport sector. Throughout the pandemic it has continued to increase contract wins and remain EBIT positive, which is impressive for a travel business. In normal times it is highly profitable, with operating margins above 13%. The North America business (45% of sales and 38% of operating profits) runs student, transit and shuttle services. The student transportation business operates largely through medium-term contracts, providing a good degree of visibility and a dependable source of cashflow. In fact, they were remunerated fully throughout the pandemic, despite not running services. Rival First Group (operating under the banner First Student) was recently sold to EQT, a large infrastructure fund, for a multiple of 9x EV/EBITDA.

Operationally, we believe National Express is as good if not better than First Group, so it should command a similar multiple. National Express made over £200m of EBITDA in 2019. Using the same multiple as First Group, National Express' North American business would be valued at £1.9bn, yet the enterprise value of National Express is currently less than £3.36bn. Stripping out the North American business on these terms would leave National Express net cash and the remaining entity on less than 5x earnings. We therefore believe there is a strong value case on a sum of the parts basis. Finally, National Express operates bus and coach services in the UK (22% of sales and 25% of profit). It sold off in June along with other travel stocks after the UK government delayed its lockdown easing. However, as transport opens up and foreign travel is permitted, National Express should see a meaningful delta in its earnings and most likely its multiple. We added to the position as we have over 40% upside from current levels.

TT INTERNATIONAL

Q2 2021

TT UK EQUITY FUND

Performance Attribution Q2 2021

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	**8.7**	**-0.3**	**0.0**	**8.4**
Equities	**0.6**	**-0.3**	**0.0**	**0.3**
Health Care	0.5	0.3	0.0	0.8
Consumer Discretionary	-0.5	0.8	-0.1	0.2
Utilities	0.0	0.1	0.0	0.0
Basic Materials	0.1	-0.1	0.0	0.0
Energy	0.0	0.0	0.0	0.0
Financials	0.4	-0.5	0.0	0.0
Consumer Staples	0.0	-0.1	0.0	-0.1
Real Estate	-0.1	0.0	0.0	-0.1
Technology	0.0	-0.1	0.0	-0.1
Telecommunications	0.0	-0.2	0.0	-0.2
Industrials	0.2	-0.6	0.0	-0.4
Non Equity	**8.1**	**0.0**	**0.0**	**8.1**
Cash	8.1	0.0	0.0	8.1
Foreign Exchange	0.0	0.0	0.0	0.0

Highlights

- The fund finished ahead of its benchmark, with outperformance in Health Care and Consumer Discretionary somewhat offset by underperformance in Industrials and Telecoms.
- In the Health Care sector, UDG was bid for, while AstraZeneca performed well as investors became more comfortable with the company's acquisition of Alexion.
- The Gym Group was the biggest winner in Consumer Discretionary following a better than expected trading statement.
- DCC drifted in the Industrials sector. Its derating has partly been due to the fact that investors question its ESG credentials because it distributes hydrocarbons. We believe this is unfair as it is very much trying to help its customers make the green transition. In fact, one of its biggest growth drivers is customers shifting from oil to LPG, which has a better environmental footprint.
- Telecom Plus has struggled during Covid as its business model partly relies on people selling utilities face-to-face. However, with many of the independent providers being forced to increase their prices from unsustainable teaser rates, Telecom Plus' offering has become far more competitive and we expect growth to re-accelerate as we come out of lockdown.

Stock Selection (%)

	Stock	Country	Sector	Management Effect (%)	TT Held
Top Contributors	UDG Healthcare	UK	Health Care	0.52	√
	AstraZeneca	UK	Health Care	0.32	√
	Accsys Technologies	UK	Industrials	0.28	√
	Prudential	UK	Financials	0.28	×
	HSBC	UK	Financials	0.25	×
Top Detractors	Diageo	UK	Consumer Staples	-0.29	×
	National Express	UK	Consumer Discretionary	-0.26	√
	Ceres Power	UK	Energy	-0.24	√
	DCC	UK	Industrials	-0.23	√
	Koninklijke Philips	Netherlands	Health Care	-0.23	√

TT INTERNATIONAL

Q2 2021

TT UK EQUITY FUND

Sector Allocation (%)

	TT UK		FTSE All Share
	31 Mar	30 Jun	30 Jun
Basic Materials	10.7	7.3	9.5
Consumer Discretionary	22.1	22.7	12.3
Consumer Staples	11.7	10.9	15.7
Energy	6.0	4.6	7.5
Financials	12.1	9.5	22.7
Health Care	9.9	13.4	9.3
Industrials	20.0	20.4	12.7
Real Estate			3.1
Technology	1.6	1.1	2.0
Telecommunications	1.4	1.4	2.3
Utilities	2.8	2.6	3.0
Cash	1.8	6.1	
Total	**100.0**	**100.0**	**100.0**

Top 10 Active Overweights

March 31, 2021 Security	Absolute Position %	Active Weight %	June 30, 2021 Security	Absolute Position %	Active Weight %
BHP Group	4.8	2.9	AstraZeneca	7.8	3.0
Balfour Beatty	2.6	2.5	DCC	2.9	2.6
Coca-Cola Hellenic	2.7	2.5	Coca-Cola Hellenic	2.6	2.4
DCC	2.6	2.4	Balfour Beatty	2.4	2.3
Reckitt Benckiser	3.9	2.1	Glenveagh Properties	2.0	2.0
AstraZeneca	6.1	1.9	BHP Group	3.8	1.9
Anglo American	3.4	1.9	Reckitt Benckiser	3.6	1.9
CRH	3.0	1.8	Entain	2.3	1.9
Barclays	2.7	1.3	The Gym Group	1.8	1.8
British American Tobacco	3.5	0.8	Smurfit Kappa	2.1	1.7
Top 10 Positions		35.5	Top 10 Positions		33.1
Top 20 Positions		57.4	Top 20 Positions		51.3
No. of stocks		49	No. of stocks		56