

Liontrust Global Innovation Investment Process

PHILOSOPHY

The Global Innovation team believes innovation is the biggest driver of stock returns. Innovative companies achieve higher returns than the market as has been demonstrated by rigorous academic evidence and borne out in the team's own extensive experience. This is because innovative companies have better fundamentals, namely:



1. Better growth



2. Better barriers to competition



3. More resilient and adaptable in tough times

The Innovation Curve: Disruptors and Leaders

The Innovation Curve below illustrates an innovative company's journey from 'disruptor' to 'leader' as it shakes up and then dominates its industry. Companies that do not innovate in the end are disrupted.



Liontrust Global Dividend Fund

INCOME AND CAPITAL GROWTH

Best-in-class companies maintaining their lead through continual innovation



Liontrust Global Innovation Fund

CAPITAL GROWTH

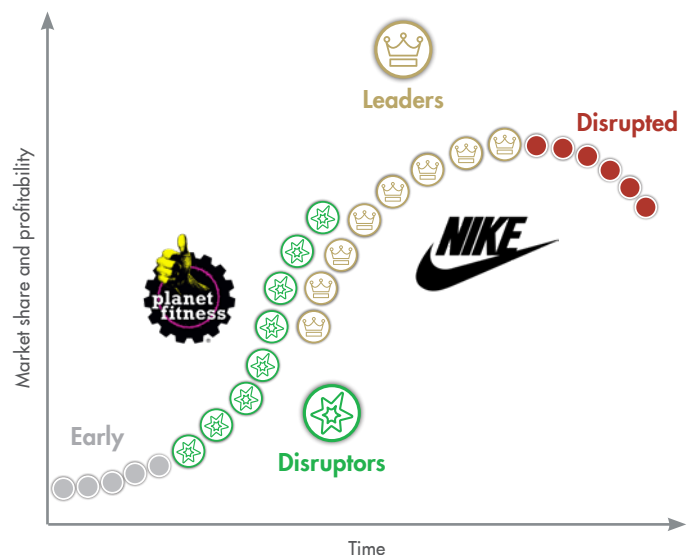
Companies with major growth opportunities through innovation



Liontrust Global Technology Fund

CAPITAL GROWTH – TECH SECTOR

Innovative technology companies driving the world forward



The **Global Dividend Fund** invests in the innovative leaders on the upper, gold section of the curve. These are best-in-class companies that possess the rare capability to continually innovate to stay in front, driving strong capital and dividend growth at lower risk than the market.

The **Global Innovation Fund** invests in the disruptors on the lower, green section of the curve. These are innovative companies with big growth opportunities and building the market's strongest barriers to competition. As they grow and become dominant, they drive high stock returns.

The **Global Technology Fund** invests in both the disruptors and leaders in the technology sector. This combination provides exposure to technology companies with the highest quality and the greatest potential to drive high stock returns.

The team only invests in financially strong companies with a good operational track record. They avoid the very high risks of investing on the earliest part of the journey at the very bottom of the innovation curve and in disrupted companies on the unenviable red part of the curve.

PROCESS

The team selects innovative companies through the following four-stage process:



Stage 1: Narrow universe

The team limits its investible universe to publicly-listed companies with a market capitalisation above \$1billion and high-quality balance sheets. These requirements remove about 90% of listed companies, leaving around 4,000 companies.



Stage 2: Global Innovation 200 watchlist

The Global Innovation 200 Watchlist is a list of the most innovative companies around the world across all sectors, which the team has built over the past decade through bottom-up company and industry research, aided by their industry networks. Each year, the team typically adds 10 to 20 new companies and removes about the same number of laggards. Each company on the list has four attributes:

1) Innovation: Create Value

An innovative company is one that creates value for customers through new ideas. Value for customers means lower prices or higher quality products and services.

2) Barrier: Capture Value

If innovation can be easily replicated, then nobody makes a profit. Barriers to competition such as IP, network effects or strong brands enable innovators to capture value for shareholders.

3) Management: Execute

Successful innovation requires good management with vision and the capability and alignment to execute.

4) Evidence: ROIC

The team evaluates the strength of a company's innovation, barriers to competition and management through returns on invested capital.



Stage 3: Valuation and Risks

Once a company is on the Global Innovation 200 Watchlist, its inclusion in any of the team's funds is determined by its upside. The team targets a 15% annualised total return based on a long-term DCF valuation supported by an analysis of valuation multiples. As part of valuation, the team conducts a risk assessment of all material factors.



Stage 4: Portfolio Management

There are three main elements of the team's portfolio management approach:

1. **Holding weights:** 1% to 5%, determined by each holding's current upside, risk and contribution to the diversification of the fund
2. **Monitoring:** the team monitors both company fundamentals and stock price on an ongoing basis, adjusting holding weights in response to changes to the upside
3. **Sell discipline:** the team's typical expected holding period is three to five years. However, irrespective of the holding period, the stock will be sold if triggered by one of three events:
 - 1) Target price hits its target
 - 2) There is a better opportunity on the watchlist
 - 3) There is a breakdown in the fundamentals of the company

The team reviews portfolio risks on a weekly basis.

Other Details

- The Global Innovation team manages the Liontrust Global Innovation Fund, Global Dividend Fund and Global Technology Fund
- The team is led by Storm Uru, who is supported by Clare Pleydell-Bouverie and James O'Connor
- The three managers joined Liontrust as part of the acquisition of Neptune Investment Management in October 2019



Storm Uru



Clare Pleydell-Bouverie



James O'Connor

Engagement

The Global Innovation team engages its companies on all factors material to its investment process.



More information

Available at: www.liontrust.co.uk/fund-managers/global-innovation

Key Risks

Past performance does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments. The Funds managed by the Global Innovation Team:

- May hold overseas investments that may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of a Fund.
- May have a concentrated portfolio, i.e. hold a limited number of investments. If one of these investments falls in value this can have a greater impact on a Fund's value than if it held a larger number of investments.
- May encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings.
- Outside of normal conditions, may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.
- May be exposed to Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.
- Do not guarantee a level of income.

The risks detailed above are reflective of the full range of Funds managed by the Global Innovation Team and not all of the risks listed are applicable to each individual Fund. For the risks associated with an individual Fund, please refer to its Key Investor Information Document (KIID)/PRIIP KID.

The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

Disclaimer

This document is issued by Liontrust Investment Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518552) to undertake regulated investment business.

It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. The investment being promoted is for units in a fund, not directly in the underlying assets.

This information and analysis is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content, no representation or warranty is given, whether express or implied, by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified.

This is a marketing communication. Before making an investment, you should read the relevant Prospectus and the Key Investor Information Document (KIID) and/or PRIIP/KID, which provide full product details including investment charges and risks. These documents can be obtained, free of charge, from www.liontrust.co.uk or direct from Liontrust. If you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances. 2024.09



www.carbonbalancedpaper.com
CBP025809

Liontrust uses Carbon Balanced Paper to reduce the carbon impacts of all our printed communications. This reduces Liontrust's carbon footprint and has a positive impact on carbon change. www.carbonbalancedpaper.com

