LIONTRUST

GLOBAL EQUITY

Liontrust Global Dividend Fund

Q2 2022 review

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The Liontrust Global Dividend Fund returned -9.4% over the quarter, compared with -9.1% from the MSCI World Index and -5.4% from the IA Global Equity Income sector (both comparator benchmarks)*^.

American Tower was also among our top performers over the quarter (+11.1%), standing as a beneficiary of 5G ramping up in the US and Europe, while 4G coverage initiatives continue to grow in earlier-stage markets. American Tower is a leading owner of communications infrastructure with a focus on wireless towers thus offering best coverage across key geographies for its clients. AMT's portfolio includes 170,000 sites globally, spread across over 15 countries, including over 40,000 in the US representing at 65% of consolidated gross margin.

AMT is looking aboard to extend its market position; the company generally expects for its international markets to deliver organic growth rates over 200+ bps higher than the 6-8% seen domestically. The 5G super cycle offers one of the biggest opportunities for the business in many decades with computing migrating to the edge. In addition, the conversion of diesel power generation on tower sites to solar will drive incremental Internal Rate of Return (IRR) on sites and improve the carbon footprint of the business.

Another notable contributor over the period was ING (+14.6%). The company focused on operating system innovation over a decade ago and has now built a leading software infrastructure offering for the Dutch bank. This has enabled the company to expand digital financial services across its banking footprint quickly and effectively to meet customer expectations.

In addition, the Dutch conglomerate has a dominant footprint across key European markets and by building out an in-house software offering, the company has a leadership position in Europe as it can build on-top of current digital infrastructure.

Like the vast majority of stocks within the technology sector, shares in Nvidia (-14.9%) have fallen as the fastest rise in inflation in decades has triggered a global cycle of higher interest rates that has hit first and foremost, the high- growth, high-multiple tech companies, in software and consumer services.

In particular, Nvidia has built a dominant position in the AI semiconductor market and is set to strengthen this position with the launch of its AI specific CPU. We view AI as a major General-Purpose Technology (GPT), and as such the likely growth and breadth of AI applications across the whole economy means Nvidia has a very attractive growth opportunity to capture over the next decade. In this indiscriminate sell-off we have taken the opportunity to add to our position in the company.

Earlier in the quarter, Alphabet (-15.1%) announced an underwhelming set of first quarter results, posting revenue, excluding pay-outs to distribution partners, of $56 billion, missing average forecasts – this was led by slower-than-expected growth in YouTube. Results were also impacted by the increased market volatility and a slight pullback in in spending in Europe following Russia's invasion of Ukraine. However, Google's cloud business posted a strong set of results, with sales increasing 43% to $5.8 billion, with the company announcing that it plans to continue investing in the cloud sector.

Alphabet offers performance advertising, which allows advertisers to connect with their users with measurable results. It also sells brand advertising, which aims to enhance users' awareness and affinity with brands. Alphabet's generates most of its revenue from advertising, mostly in search but short-form video (YouTube) is becoming an important growth driver.

Chinese low-cost e-commerce platform Alibaba (+8.0%) was also among the top performers over the quarter following a surge in Chinese tech companies late in the quarter after hopes that Beijing is close to ending a yearlong regulatory crackdown on the industry. Having ensnared sectors from e-commerce to fintech and even online education, Beijing has recently taken a more lenient line, introducing a raft of policies aimed at propping up tech companies and the Chinese economy, including the approval of a second batch of video games this year, marking a further softening in the country's stance toward internet firms.

Alibaba has continued to show that it can execute effectively, successfully defending itself and its market position against new community group upstart Pinduoduo and is now shifting to monetise its leadership position. Importantly, the company is now focused on building outs its Asian cloud infrastructure platform which we view as a significant drive of long-term value creation. Specifically, the Chinese cloud market is expected to grow from 0.2 trillion RMB in 2020 to 1 trillion RMB in 2025, representing a significant opportunity for Alibaba.

The strong performance of value stocks generally over the past 18 months or so has been due to the great relief afforded to companies whose operational vulnerabilities were painfully exposed in 2020 by the pandemic. While these stocks strongly rebounded in 2021, better companies – including ours – had much less of a recovery to make, having typically navigated the pandemic well.

But we believe the macro picture is about to change significantly. Having kept their foot firmly on the accelerator last year, contributing to economic strength, central banks have now been forced to slam on the brakes due to rising inflation. Therefore, the economic growth backdrop of the past 18 months of a rising tide lifting all boats, favouring relatively weak companies' stocks, is likely to be replaced by a much tougher economy with slower growth, which is being exacerbated by economic headwinds from Russia's invasion of Ukraine, ongoing Covid disruption in China and the cost-of-living crisis.

We believe the companies that will manage these tough conditions best over the next couple of years will be high-quality innovative companies given their operational resilience, adaptability, good balance sheets and structural growth drivers.

Discrete years' performance (%), to previous quarter-end:**

	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Liontrust Global Dividend C Acc GBP	-7.3%	26.5%	9.9%	17.2%	8.8%
MSCI World	-2.6%	24.4%	5.9%	10.3%	9.3%
IA Global Equity Income	1.0%	21.2%	-2.6%	8.4%	3.6%
Quartile	4	1	1	1	1

***Source: FE Analytics as at 30.06.22**

****Source: FE Analytics as at 30.06.22. Quartile generated on 06.07.22**

For a comprehensive list of common financial words and terms, see our glossary at:
https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms

Key Risks

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.

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.

Investment in the Fund involves foreign currencies and may be subject to fluctuations in value due to movements in exchange rates.

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