



Liontrust China Fund

Q2 2023 review

Fund manager: Ruth Chambers, assisted by Ewan Thompson

The Liontrust China Fund returned -12.2% over the quarter, versus the IA China/Greater China sector average of -12.9% and -12.2% from the MSCI China Index (both comparator benchmarks)*^.

Chinese equities came into the year on the front foot, spurred on by the swift reopening announced during the final quarter of 2022 and expectations of a strong economic recovery. Geopolitical tensions returned and, after the initial release of pent up demand, the macro recovery began to run out of steam, with a broad range of economic indicators disappointing through April and May reflecting an uneven and unbalanced recovery. This in turn has reignited the debate over if and when the government would provide additional support for the economy and how aggressive they would be..

Looking ahead to the second half of the year, a constructive case can be made looking at depressed valuations with a key trigger being prompt and robust easing from policymakers to help rebuild confidence and recharge the economy. A clear stabilisation in US and China geopolitical tensions would provide further support. Conversely, should policymakers miss this opportunity to stabilise the economy or if the US and Chinese relationship becomes more confrontational then discounted valuations may not be enough to prevent further downside.

The Liontrust China Fund returned -12.2% during the second quarter of 2023, in line with the MSCI China Index. Sector returns in China for the second quarter were negative across the board, with healthcare, consumer discretionary and industrials falling the most. From a stock performance perspective, NetEase (provider of online services centred on content, community, communications, and commerce), BYD (Chinese conglomerate) and Taiwan Semiconductor (multinational semiconductor contract manufacturing and design company) were among the few holdings to post a positive gain for the period.

On the other side of the ledger, the detractors were led by Alibaba (multinational technology company specializing in e-commerce, retail, Internet, and technology), Tencent (multinational technology and entertainment conglomerate), Li Ning (sportswear and sports equipment company) and Meituan (shopping platform for locally found consumer products and retail services).

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

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust China C Acc GBP	-24.2%	-21.4%	18.9%	15.0%	-7.7%
MSCI China	-20.5%	-22.4%	13.9%	16.5%	-3.2%
IA China/Greater China	-23.8%	-17.0%	22.3%	18.7%	-1.7%
Quartile	2	3	3	2	4

***Source: FE Analytics as at 30.06.23**

****Source: FE Analytics as at 30.06.23. Quartiles generated on 07.07.23.**

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. The Fund may invest in emerging markets/soft currencies or in financial derivative instruments, both of which may have the effect of increasing volatility.

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