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Liontrust GF SF Global Growth Fund: Q2 2023 review

Fund managers: Simon Clements, Peter Michaelis and Chris Foster

The Fund returned 5.7% over the quarter in dollar terms, versus the 6.8% return from the MSCI World Index (which is the comparator benchmark)*.

Across the portfolios, we continue to concentrate on where we have expertise and confidence in our predictions, namely the 20 sustainable themes that identify companies set to benefit making our world cleaner, healthier and safer. We continue to manage our portfolios in alignment with the themes, which themselves sit within three broader categories of *Better resource efficiency*, *Improved health* and *Greater safety and resilience*.

Within *Better resource efficiency*, the growth of renewables is accelerating for a market that's estimated to be worth half a trillion dollars, while the war in Ukraine has shown how security of supply is another essential attribute of renewable energy.

Under *Improved health*, there has been dramatic innovation in the development of diagnostic tools to aid early diagnosis, cancer and other diseases through the advances that we've seen in gene sequencing. Finally, within *Greater safety and resilience*, with water quality making the headlines, our theme around better monitoring of supply chains and quality control is focused on companies which provide equipment and services that undertake the essential analysis of our water, air and food.

All these areas are important to solving key sustainability challenges and should also deliver growth that is relatively independent of overall economic growth. While 2022 was a tumultuous year for almost every asset class, we believe that the foundations for our key themes – *Better resource efficiency*; *Improved health*; and *Greater safety and resilience* – are stronger than ever.

In Q2, US healthcare company **Intuitive Surgical** was the top performer, strengthening following the release of robust Q1 earnings. Exposed to our *Enabling innovation in healthcare* theme, shares in the manufacturer of products linked to minimally-invasive robotic surgery jumped after reporting procedure growth figures for the first quarter that were ahead of average estimates.

Intuitive is committed to advancing patient care in surgery and other acute medical interventions. The company is focused on innovating to enable physicians and healthcare providers improve the quality of and access to minimally invasive care by striving to find less invasive ways to enter the body, provide clearer views of anatomy and more precise tissue interactions, and helping hone surgical skills.

Adobe, the global leader in digital media and digital marketing solutions, was also among the top performers after reporting robust Q2 results and raising its full-year forecast. Held under our *Improving the efficiency of energy use* theme, Adobe announced a 10% y-o-y growth in revenue to \$4.8billion for the second quarter, driven by strong demand across its Creative Cloud and Document Cloud products.

Adobe pioneered the shift to the cloud-based, subscription model, and this comes with a host of benefits from a sustainability perspective. Cloud computing is, in itself, a technology which makes our new digital world much

less carbon and energy intensive. Adobe has successfully migrated nearly all of its customer base to the cloud, driving significant cost, efficiency and sustainability benefits.

Cybersecurity company **Palo Alto Networks** was another strong performer, reporting third-quarter results that beat average estimates, while also raising the lower end of its full-year revenue forecast. Exposed to our theme of *Enabling digital security*, Palo Alto provides cyber security solutions for over 85,000 organisations. Almost every facet of our lives has some online exposure, whether personal information, finances, commercial interactions and simple communications. The same is true for businesses, governments and international institutions. Keeping this information secure and only accessible by the right people is essential for retaining trust in all these on-line interactions.

Palo Alto's strategy is to build on the leading firewall product and move to subscription-based firewall and security as a service. This is increasingly based on consumption of data, meaning the market for security solutions will grow as data increases and more of this data is shifted into the cloud.

Another strong performer was **Trex**, the manufacturer of wood-alternative composite decking made from recycled materials. Held under our *Delivering a circular materials economy* theme, Trex is taking share from the traditional wood decking market which makes up approximately 75% of the market.

As a company, Trex exhibits the perfect marriage between sustainability and business fundamentals (i.e. where integration of ESG really matters). By using predominantly recycled materials, this lowers the company's production costs, providing it with superior margins. Exposure to the theme and the structural growth in the composite decking industry has led to strong revenue growth, which has typically doubled every five years with earnings growing at an even faster rate.

Among the detractors over the quarter was US biotechnology company **Illumina**. Exposed to our *Enabling innovation in healthcare* theme, Illumina's share price has fluctuated over the quarter as it has been locked in a proxy battle with activist investor Carl Icahn regarding the leadership at the company. A conclusion seems to have been achieved as, at the end of the quarter, Illumina announced that it had accepted Chief Executive Francis DeSouza's resignation.

All of Illumina's current revenues come from instruments, consumables and services that enable the genetic understanding of disease. We see huge positive opportunities to improve the way we treat disease coming out of better understanding of how disease works and, where genetics plays a key role, there is the opportunity to make personalised medicine that is very effective and cures disease. The current disease treatment system is very generalised with many people taking drug treatments that won't necessarily be effective for them. While there are serious ethical concerns about how these genetic technologies are used, we think there are many interesting opportunities to invest in companies that help us understand how disease works so we can make more effective treatments eventually.

Continuing with our *Enabling innovation in healthcare* theme, **ThermoFisher Scientific** was another detractor over the period. A key enabler of innovation within the healthcare and life science industries, ThermoFisher provides instruments, reagent and consumables, as well as software and services to those progressing science for academic, governmental and commercial purposes. At the start of the quarter, the company disappointed in its Q1 results release, announcing a 9% y-o-y decline in its top line revenue as sales in its life sciences segment softened.

With regards to portfolio activity, we initiated a new position in multinational plumbing and heating products distributor Ferguson, under our *Building better cities* theme. Sanitation is an area of sustainable development which offers a huge opportunity to improve over the coming decades. Clean water, decent toilets and good hygiene are basic human rights, and these also interact with other goals such as education, reducing inequalities and climate action.

We sold our position in Puma over the quarter. The recent departure of the CEO to a competitor was disappointing, given we rated his strategy and leadership highly. We had also hoped the sales of products directly related to wellness and exercise would outgrow the fashion-focused sales, which would have increased the thematic exposure, and seen an upgrade from C to B in terms of the product rating. This mix shift did not eventuate, as sportswear sales had disappointed. We therefore decided to exit the position

We also sold Intertek over the quarter. We have become increasingly concerned that the “reshoring” phenomena is a headwind for growth and margins for Intertek. As production is incrementally brought back to home shores, particularly in the US, the level of complexity in terms of supply chain auditing also falls, which we feel may negatively affect the long-term earnings and returns profile of Intertek.

Key Features of the Liontrust GF SF Global Growth Fund

INVESTMENT OBJECTIVE & POLICY¹:	<p>The Fund aims to achieve capital growth over the long term (five years or more) through investment in sustainable securities, predominantly consisting of global equities.</p> <p>Typically at least 90% of the Fund will be invested in the shares of global companies, with up to 10% in bonds and cash.</p> <p>The Fund will only invest in companies that meet defined ethical considerations and will benefit from improvements in environmental standards and a shift towards a more sustainable economic system.</p> <p>While the Fund will invest predominantly in companies from developed markets it may also invest up to 20% in emerging market securities.</p> <p>In normal conditions, the Fund will aim to hold a diversified portfolio, although at times the Investment Adviser may decide to hold a more concentrated portfolio, and it is possible that a substantial portion of the Fund could be invested in cash or cash equivalents.</p> <p>The Fund is not expected to have any exposure to derivatives (contracts whose value is linked to the expected future price movements of an underlying asset) in normal circumstances but may on occasion use them for investment, efficient portfolio management and for hedging purposes including gaining exposure to financial indices.</p>
RECOMMENDED INVESTMENT HORIZON:	5 years or more
SRRI²:	6
ACTIVE / PASSIVE INVESTMENT STYLE:	Active
BENCHMARK:	<p>The Fund is considered to be actively managed in reference to MSCI World (the "Benchmark") by virtue of the fact that it uses the Benchmark for performance comparison purposes. Some of the Fund's securities may be components of and may have similar weightings to the Benchmark.</p> <p>However the Benchmark is not used to define the portfolio composition of the Fund or as a performance target and the Fund may be wholly invested in securities which are not constituents of the Benchmark.</p>
SUSTAINABILITY PROFILE	The Fund is a financial product subject to Article 9 of the Sustainable Finance Disclosure Regulation (SFDR).

Notes: ¹As specified in the KIID of the fund; ²SRRI = Synthetic Risk and Reward Indicator. Please refer to the KIID for further detail on how this is calculated.

**Discrete years' performance*, to previous quarter-end:
Past performance does not predict future returns**

	Jun-23	Jun-22	Jun-21
Liontrust GF Sustainable Future Global Growth B5 Acc USD	17.4%	-28.4%	39.2%
MSCI World	18.5%	-14.3%	39.0%

*Source: FE Analytics, as at 30.06.23, primary share class (B5) in dollars, total return, net of fees and income reinvested. 10 years of discrete data is not available due to the launch date of the fund.

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

Key Risks and Disclaimer

†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. Non-UK individuals: This document is issued by Liontrust International (Luxembourg) S.A., a Luxembourg public limited company (société anonyme) incorporated on 14 October 2019 and authorised by and regulated as an investment firm in Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF") having its registered office at 18, Val Sainte Croix, L-1370 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B.238295. UK individuals: This document is issued by Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business. **This is a marketing communication.** This document 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. It contains information and analysis that is believed to be accurate at the time of publication, but is subject to change without notice. While care has been taken in compiling the content of this document, no representation or warranty, express or implied, is made by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified. It should not be copied, forwarded, reproduced, divulged or otherwise distributed in any form whether by way of fax, email, oral or otherwise, in whole or in part without the express and prior written consent of Liontrust. Always research your own investments and 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. 23/429