Liontrust China Fund

Q1 2023 review

Fund manager: Ruth Chambers, assisted by Ewan Thompson

The Liontrust China Fund returned -0.1% over the quarter, versus the IA China/Greater China sector average of 0.0% and 1.8% 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 towards the end of the quarter.

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.

From an attribution perspective, the dispersion in sector returns was high in the first quarter, with consumer services (+21.3%), materials (+7.5%), IT (+5.3%) and industrials (+2.6%) posting positive returns for the period. While, the negative performing sectors were led by healthcare (-15.4%), real estate (-14.4%) and consumer staples (-14.0%).

Looking at individual stock performance, the top contributors over the quarter were Alibaba (multinational technology company specializing in e-commerce, retail, Internet, and technology), Tencent (multinational technology and entertainment conglomerate), Baidu (multinational technology company specialising in Internet-related services, products, and artificial intelligence), NetEase (internet technology company providing online services centred on content, community, communications, and commerce) and Kingsoft (software and Internet services company).

On the other side of the ledger, the detractors were led by JD.com (e-commerce company), Meituan (shopping platform for locally found consumer products and retail services) and Wuxi Biologics (provider of open-access, integrated technology platforms for biologics drug development).

Given the recessionary fears stalking the developed economies this year, the global economy will receive a welcome support from China (its second-largest contributor), where growth will be rapidly accelerating at a time of considerably uncertainty elsewhere. Moreover, as by far the largest country by weight in emerging market indices, not to mention a key driver of both regional supply and demand, China's return to growth will be a significant boon to emerging markets as a wider asset class, where prospects for outperformance against developed markets now look as good as they have done in many years.

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

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust China C Acc GBP	-6.0%	-27.0%	36.8%	-0.5%	-3.6%
MSCI China	1.4%	-29.3%	29.1%	-1.0%	0.9%
IA China/Greater China	-3.6%	-21.5%	40.9%	-0.2%	0.9%
Quartile	3	3	2	2	4

***Source: FE Analytics as at 31.03.23**

****Source: FE Analytics as at 31.03.23. 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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