

Global Equities

September 2025



Liontrust Global Alpha Fund



Mark Hawtin
Head of Global Equities team



Pieran Maru
Fund Manager

Key highlights

- MSCI ACWI posted its sixth consecutive month of gains in US dollar terms as investor sentiment was partly driven by the Fed's rate cut.
- The US once again led the markets, with the S&P and Nasdaq posting their strongest September in 15 years as technology heavyweights once again dominated leadership.
- The Fund benefitted from geographic diversity in the month's key positive contributors, including Seagate (US), Alibaba (China) SK Hynix (Korea) and Barrick Mining (Canada)

Performance

The Liontrust Global Alpha Fund returned 4.3% in sterling terms in September, compared with the 4.0% return of the MSCI ACWI Index comparator benchmark and the 2.4% average return in the IA Global sector (also a comparator benchmark).

Commentary

Market backdrop

MSCI ACWI posted its sixth consecutive month of gains in September in US dollar terms. Positive investor sentiment was partly driven by a 25bps cut by the Fed which, whilst largely expected, was heavily influenced by weaker US employment data (and not inflation, which remains sticky).

The US once again led markets, with the S&P and Nasdaq posting their strongest September in 15 years as technology again dominating the leadership. Over Q3 the S&P 500 rose 7.4% (US dollar terms) with the

Goldman Sachs AI basket up 15.9% and the Bloomberg Mag 7 index up 17.6%. This masked a more lacklustre performance by the rest of the index, demonstrated by the S&P equal weighted index only returning +4.4% in US dollar terms in the same period.

Markets outside the US also continued to do well with the exception of Europe, which took a pause. China, as measured by the KWEB Internet Index, was up 10.5% and Japan rose 8.4% over the month.

Geopolitical risks continued to mount during the quarter as well as concerns over rates of growth, interest rates and debt levels in the US economy. This served to feed the continued flight to safe haven assets like gold, which is up 47% in 2025 to date – its best performance in the last 46 years!

Positive contributors to Fund returns were geographically diverse and included **Seagate Technology** (+42% in sterling terms) and **Alphabet** (+15%) in the US, **Alibaba** (+33%) in China, **SK Hynix** (+28%) in Korea and **Barrick Mining** (+30%) in Canada – showing the global breadth of the portfolio. There were no significant individual detractors although software names as a whole were a slight drag as the sector underperformed the broader index over the month.

Portfolio Changes

We made a small number of changes to positions. In the consumer staples sector, **Costco** reached our price target and led us to switch into **JD Health**. JD runs China's largest online healthcare platform by revenue which includes online pharmacy, internet hospital consultations, and health services/ads. Its gross margin benefits from a rising services mix whilst operating margin has been expanding as marketplace, ads and value-added services outgrow first-party retail. With paid user penetration still low, we believe JD Health can expand average revenue per user while lifting returns on capital via asset-light service layers.

We also sold out of **Dexcom** and **Starbucks**, two companies where the business strategy implementation is not meeting our expectations, leading to increasing risk to our upside price target. In these cases, we feel capital could be better deployed elsewhere in the portfolio.

Outlook

The outlook for the rest of 2025 continues to present plenty of opportunities for differentiated and diversified returns in the equity markets. In our view, the path to the best returns will likely continue to lie outside the concentrated Mag7 trade; these stocks now account for 40% of the S&P market capitalisation and this has proved troublesome for active managers bent on finding better alternatives. The evidence of the first nine months of 2025 suggests this is becoming easier.

At the same time, risks are building around the world – both geopolitical and economic. Much of the US data remains weak, yet headline GDP figures are robust. High levels of AI capital investment are having a meaningful impact at the headline level, but this has little effect on the low-end consumer.

Given this backdrop, our base case is that equity markets globally remain little changed in the final quarter of the year but that there will be plenty of ways to enhance returns beyond the index level. Key themes include defence spending in Europe; the catch-up trade in Chinese tech/AI versus the US; Japanese digitalisation; and emerging markets equities on US dollar weakness – all providing diversification from the US.

Within the US, we take the view that the winners of the next 10 years will not be the same as the last decade, with companies that use AI effectively across multiple sectors offering interesting opportunities. Within technology, we remain cautious on the longevity of the AI capex cycle and favour selective names that support the trends in AI rather than the titans that build it.

The path of the US dollar is a critical component of many investment themes today and we expect it to remain weak on the back of government debt levels and a servicing bill that is now close to the 4% of GDP, seen by many as an exit velocity level. Assuming this to be the case, then any equity investments must be viewed through the lens of a weak dollar and this is perhaps the biggest factor in deciding geographic exposures as well as other adjacent ideas like the continued success of investing in stores of value like gold, gold miners, and crypto.

Discrete years' performance to previous quarter-end:

	Sep-25	Sep-24	Sep-23	Sep-22	Sep-21
Liontrust Global Alpha C Acc GBP	21.5%	16.5%	5.6%	-26.5%	25.7%
MSCI ACWI	16.8%	19.9%	10.5%	-4.2%	22.2%
IA Global	12.1%	16.2%	7.8%	-8.9%	23.2%
Quartile	1	3	3	4	2

Source: FE Analytics, as at 30.09.25, total return, net of fees and income reinvested

Key Risks

Past performance does not predict future returns. 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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