

# Global Equities

February 2025



## Liontrust Global Alpha Fund



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### Key highlights

- Leadership diverged sharply by region: US markets lagged while Europe and Asia Pacific extended their strength, leaving the MSCI World Index up 0.8% (US dollars).
- While the S&P 500 fell 0.8%, the equal-weight S&P 500 rose 3.5%, reflecting an ongoing rotation away from US mega-cap growth and toward smaller and more value-oriented stocks.
- AI “disruption risk” became a dominant narrative driver, triggering sharp selloffs in parts of software, data and other service-heavy industries perceived as vulnerable to agentic AI workflows, while investors rotated into more asset-heavy and “disruption-insulated” areas of the market.
- Commodities remained supportive of real-asset leadership; oil built on January’s rebound amid Middle East risk premia, while gold resumed its strong uptrend – helping underpin the materials sector after January’s extreme volatility.

## Performance

The Liontrust Global Alpha Fund returned -2.8% in sterling terms in February, compared with the 3.4% return of the MSCI ACWI Index comparator benchmark and the 3.2% average return in the IA Global sector (also a comparator benchmark).

	1m	3m	6m	YTD	1yr	3yr	5yr	Since inception
Liontrust Global Alpha C Acc GBP	-2.8%	-1.1%	4.7%	-1.1%	8.4%	47.1%	26.1%	1057.7%
MSCI ACWI	3.4%	3.9%	12.2%	4.3%	16.3%	58.5%	81.0%	651.6%
IA Global	3.2%	4.1%	9.7%	4.3%	14.2%	41.2%	53.6%	474.6%
Quartile	4	4	4	4	3	2	4	1

Source: Financial Express & Morningstar, as at 28.02.26, total return, net of fees, income reinvested

## Commentary

### Market backdrop

February continued the broadening process that began late in 2025 and accelerated in January – but with a clear shift in regional leadership. Global equities rose modestly, with non-US markets doing most of the heavy lifting as the US mega-cap complex remained a drag on returns. This divergence was visible in style performance: value outperformed growth amid investor preference for nearer-term cash flows and more moderate valuations.

In the US, the S&P 500 declined 0.8% (US dollars) during the month, but the underlying tape was far stronger than the index suggested. The equal-weight S&P 500 gained 3.5%, and small caps were positive, highlighting that February was less about “risk-off” and more about rotation and dispersion. Sector performance reinforced that message: utilities, energy, materials, consumer staples and industrials led, while technology and other growth-heavy sectors lagged as investors reassessed valuation assumptions embedded in prior winners. As a result, style and sector dispersion remained extreme: value outperformed growth (value up 2.9% vs. growth down 1.6% globally in US dollar terms), while defensives and real-asset sectors led.

A key catalyst for this rotation was the market’s evolving view of AI’s second-order effects. Product updates and rapid progress in agentic AI workflows sparked a “shoot first” reaction across industries perceived as exposed to disintermediation risk – particularly software and adjacent service models – while sectors seen as more insulated (asset-heavy, regulated, or infrastructure-linked) attracted incremental capital.

Macro and policy also contributed to cross-asset moves. Government bonds posted positive returns as yields declined, and the US dollar strengthened versus January amid renewed trade/tariff uncertainty and shifting central-bank expectations. On the policy front, the Federal Reserve did not meet in February, but February brought renewed focus on the January decision to hold rates at 3.50–3.75%, including the release of January meeting minutes and ongoing debate over the future path of easing.

Commodities remained a notable driver of equity factor leadership. Oil prices rose again on geopolitics and supply risk premia, supporting energy equities. Meanwhile, precious metals rebounded sharply following January’s extreme late-month dislocation, proving helpful for the materials sector and consistent with continued investor demand for hedges amid policy and geopolitical uncertainty.

### Portfolio review

February was a challenging month, characterised by sharp single stock dispersion which led the Fund to lag the benchmark return. This poor performance was almost entirely driven by idiosyncratic stock outcomes, with the Fund seeing a sharp divergence between strong cyclical winners and weakness in consumer discretionary and healthcare holdings. Sector allocation was broadly neutral. Within IT and software specifically, the sector

delivered a stable contribution overall, but substantial intra-sector dispersion was caused by the indiscriminate weakness across software, offset by continued strength in semis and memory.

Electrification and materials (copper/gold) led the relative contribution as cyclicals experienced strong momentum. Single stock highlights across the portfolio include:

- **SK Hynix** (+19% in sterling terms): memory pricing and AI-related demand remained supportive.
- **Siemens Energy** (+17%): operational stabilisation fed into higher earnings expectations.
- **Agnico Eagle** (+35%) and **Newmont** (+18%): materials regained momentum after a weak January.
- **Fanuc** (+14%): automation demand remained resilient.

Consumer discretionary was the largest drag over the month which was largely a reflection of the AI-fear theme than any meaningful sector theme. Key detractors included **AUTO1 Group** (-32%), **Alibaba** (-13%) and **Expedia** (-11%), reflecting ongoing weakness in e-commerce and online services rather than any meaningful sector-wide theme.

Healthcare weakness was also a headwind, mainly reflecting weakness from **Omnicell** (-14%), which gave up some of its strong recent performance results on the dual impact of results 'only' in line with elevated expectations and contagion from AI software fears.

### Portfolio changes

Portfolio Activity during the month sharpened the portfolio's focus on high-conviction structural winners, particularly within global industrials and technology, while exiting or reducing names where idiosyncratic risk, execution concerns or weakening earnings momentum had become more pronounced. The result is a portfolio more concentrated in businesses with greater earnings visibility, balance sheet strength and thematic durability, consistent with the Fund's investment philosophy in a market environment dominated by stock-specific dispersion.

We reduced consumer discretionary exposure, selling lower confidence names such as **Trip** and **AUTO1**. We also reduced **Alibaba** on a China view where an attractive valuation is not enough to offset the higher risks from geopolitics. Payment platform holdings **Block** and **PayPal** were also exited after disappointing results pointed to continued evidence of competitive pressure, margin compression, and a less favourable risk/reward relative to other opportunities within the market.

In healthcare we exited underperforming or lower-visibility names such as **Novo Nordisk**, **Essilor Luxottica** and **Sysmex**. These disposals reflect a reassessment of the growth durability and valuation backdrop across parts of the healthcare complex. The Fund has moved away from several names that delivered weak stock-specific outcomes during the month and where conviction had diminished.

Within industrials, we rotated into quality cyclicals with improving fundamentals whilst simultaneously increasing our Japan exposure with the addition of **Japan Steel Works**, **Mitsubishi Electric** and **Mitsui & Co**. These companies own high-quality industrial and capital goods franchises benefiting from demand normalisation and strong order books

Lastly, in the technology sector we refined our exposures with a focus on resilient platform winners and AI enablers by adding **ServiceNow** and **Apple**, whose recurring revenue visibility and product cycles support durable growth, and selling **Atlassian**, **SAP** and **Marvell** due to increasing risks to fundamentals which have made relative valuations less attractive.

### Outlook

We remain constructive but balanced as we move through early 2026. February largely reinforced the evolving market regime we highlighted in January: global equities advanced modestly but returns continued to broaden away from US mega-caps, with Europe and Asia outperforming while US indices lagged. Importantly, the headline US weakness again masked stronger underlying breadth, with value and equal-weight leadership persisting.

Where February added nuance was in the market's interpretation of AI. A renewed wave of AI "disruption risk" drove sharp selloffs across parts of software and service-heavy models perceived as exposed, while capital rotated toward asset-heavy sectors viewed as more insulated from disintermediation.

Risks persist – policy divergence, geopolitics, and valuation sensitivity within pockets of growth – but February's continued breadth, dispersion and factor rotation reinforces our view that 2026 should remain a favourable environment for stock selection. Our positioning changes – sharpened focus on high-conviction structural winners, particularly within industrials and technology, and exiting or reducing names with idiosyncratic risk, execution concerns or weakening earnings momentum – are intended to improve resilience while keeping the Fund exposed to the most durable multi-year themes.

Discrete years' performance to previous quarter-end:

	Dec-25	Dec-24	Dec-23	Dec-22	Dec-21
Liontrust Global Alpha C Acc GBP	12.4%	19.7%	20.5%	-33.6%	19.9%
MSCI ACWI	13.9%	19.6%	15.3%	-8.1%	19.6%
IA Global	11.2%	12.6%	12.7%	-11.1%	17.7%
Quartile	2	1	1	4	2

Source: Financial Express, as at 31.12.25, 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.

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