LIONTRUST

GLOBAL EQUITY

Liontrust Global Dividend Fund: February 2022 review

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The Liontrust Global Dividend Fund returned -2.3% in February. The MSCI World Index comparator benchmark returned -2.5% and the average return in the IA Global Equity Income sector, also a comparator benchmark, was -1.7%.

Rio Tinto (+11.7%) cemented itself as one of the big winners in the global economic rebound from the pandemic by delivering its highest-ever profits and announcing a bumper dividend over the month. Rio's underlying earnings surged 72% from a year earlier to $21.4 billion, with the company also announcing a record full-year dividend of $16.8bn, boosted by higher iron ore prices and strong demand from top consumer China. Rio Tinto is often identified as an innovator, but the company has the lowest cost iron producer and benefits from significant demand surges in iron ore because of the long-cycle development constraints for competitors to build extra capacity to meet demand.

Also among the notable contributors was Safran (+7.8%). This French multinational designs and manufactures high-end jet engines for narrow body aeroplanes. After launching the new LEAP engines for the A320 family and Boeing 737 Max at the end of last decade, demand for the new engines is strong due to fuel efficiency gains, longer range and quieter than all other products on the market. We believe the long-term value for Safran is not necessarily the profit from the initial sale of the engine, but the long-term service contracts sold alongside the engines. So, we expect an accelerate in revenues, profitability, and dividends from 2023 onwards as the installed base accelerates and starts to mature.

Stryker (+6.2%) provides surgical products including such instruments as drills, saws, and even cement mixers. The company operates through three primary segments – MedSurg, Orthopaedic, and Neurotechnology and spends a large proportion of revenues on R&D to drive product innovation and enters adjacent markets through acquisition. We believe that surgical medical equipment has particularly high switching costs after surgeons tend to train on a particular brand, making the company a strong fit among the Global Leaders that we look to invest in.

On the other side of the ledger, the detractors for the month were led by Meta Platforms (-32.6%) (formerly Facebook) after the company's earnings forecast for Q1 2022 missed expectations. We are long-term investors and see price volatility in the short term as excellent buying opportunities and used this price weakness to build our position into a full weight in the Fund. The company has the leading social media position across all verticals, enabling small businesses to advertise to consumers as commerce moves online. And just like in the past, we believe Mark Zuckerberg will again defeat Tik Tok in the race to build out short-form video capabilities and market share.

Intuit (-14.6%), the global technology platform that makes TurboTax, QuickBooks, Mint, Credit Karma and Mailchimp, was another detractor over the period. The company reiterated full fiscal year 2022 revenue guidance, stating that revenue for its second fiscal quarter is expected to be lower than previous guidance due to a slower forming tax season. We continue to believe that Intuit possesses strong barriers given the fact that it is the de facto standard in the US for consumer tax preparation and small business management software, driving high barriers to entry for competitors through leading brand recognition and financial strength.

Tencent (-11.0%) came under pressure over the month following continued regulatory scrutiny from the Chinese government – with a focus on the metaverse, an emerging space for the company. Our investment thesis for Tencent stems from the company successfully managing the transition from PC gaming to Mobile gaming by developing durable franchises with improved monetisation characteristics. To further entrench the products, the company has built out an ecosystem to include communication (WeChat), financial services (WePay), cloud capabilities and a broad range of software services that compete with products like Adobe, Salesforce and Zoom.

In addition, the company has completed a number of very successful early-stage investments in the next generation of disruptors like Pinduoduo and Sea ltd that are well positioned to contribute complementary shareholder value creation opportunities on top of the core Tencent platform.

Positive contributors included:

Rio Tinto (+11.7%), American Express (+8.2%), Safran (+7.8%), Stryker (+6.2%), Spark New Zealand (+7.2%)

Negative contributors included:

Meta Platforms (-32.6%), Norilsk Nickel (-51.1%), Intuit (-14.6%), Tencent (-11.0%), Morgan Stanley (-11.5%)

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

	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17
Liontrust Global Dividend C Acc GBP	16.1%	16.7%	34.0%	-5.2%	6.9%
MSCI World	22.9%	12.3%	22.7%	-3.0%	11.8%
IA Global Equity Income	18.7%	3.3%	18.6%	-5.8%	10.4%
Quartile	3	1	1	3	4

***Source: FE Analytics as at 28.02.22**

****Source: FE Analytics as at 31.12.21. Quartile generated on 07.01.22**

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. Do remember that the value of an investment and the income generated from them can fall as well as rise and is not guaranteed, therefore, you may not get back the amount originally invested and potentially risk total loss of capital. The MSCI World Index and IA Global Equity Income sector are comparator benchmarks.

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.

Disclaimer: