



Liontrust Global Innovation Fund: February 2022 review

Fund Managers: James Dowey & Storm Uru

The Liontrust Global Innovation Fund returned -1.3% in February. The MSCI All-World Index comparator benchmark returned -2.6% and the average return in the IA Global Equity Income sector, also a comparator benchmark, was -1.9%.

Founded by Google executives in 2010, Upstart (+44.9%) is disrupting the 30-year practice of the FICO score (a method of quantifying and evaluating an individual's creditworthiness) as the banking industry's main tool for consumer credit assessment and through pricing credit risk more accurately by using more data sources and better analysis. Its strategic decision to partner with banks rather than compete and lend in its own right has enabled it to scale faster than competitors and build Google-like data and experience advantages.

Over the month, the company announced strong financial results for its fourth quarter and full fiscal year ended 31 December 2021, soaring as much as 35% after the announcement. In terms of highlights, the company reported total revenue of \$305 million, an increase of 252% from the fourth quarter of 2020. Total fee revenue was \$287 million, an increase of 240% year-over-year. In regard to full-year results, income from operations was \$141 million, up from \$11.8 million the prior year. We continue to believe that Upstart is making lending more efficient by lowering interest rates on loans and widening access to credit, through AI analysis of borrowers – an example of the type of innovation that we believe can position the stock well for long-term growth.

PAR Technology (+11.8%) was again among the top performers over month. The has provider of point-of-sale hardware to major fast-food chains, announced that Smoothie King, the world's largest smoothie brand and original smoothie franchise has selected PAR for secure, compliant payment processing services across its network of more than 1,000 stores. PAR's experience, long-standing customer relationships and focus, following a recent change of management, give it a good chance of success in delivering large productivity gains for restaurants and establishing a long-term competitive advantage in a large market.

Focusing on the detractors over the month, PayPal (-34.9%) fell sharply after saying growth in spending on its platform continued to slow during the fourth quarter as economies around the world reopened and consumers flocked to in-store shopping. The company announced that total payments volume climbed just 23% to \$339.5 billion in the final three months of last year as the technology giant's former parent company, eBay, continues to move payments offerings away from PayPal.

Shopify (-28.1%), which provides software and other services that underpin the websites of many small businesses, also fell sharply after giving a weaker outlook for growth this year as online spending resets and consumers face higher inflation. As a result, the company announced that full year revenue growth will be lower than the 57% increase in 2021. Shopify is building the infrastructure for small

and medium sized enterprises to digitise their operations and sales channels, however, the long-term value for Shopify is helping digital first businesses launch and provide the products and services as a company grows – embedding the company as a critical provider of online commerce operations, data analytics, payments processing and inventory management. Many of these companies will become the FANG’s of the future.

The Russian invasion of Ukraine shattered air travel across much of eastern Europe as carriers avoided airspace above the beleaguered country as well as neighbouring nations amid fears for the safety of flights. Wizz Air (-15.6%) along with other European companies exposed to the secondary effects of the Russian invasion suffered. Whilst it’s difficult to quantify the duration of the impact on Wizz Air’s operations due to the evolving dynamics, the company is well capitalised and able to withstand a difficult operating environment as we have seen over the last two years. Long-term, we do not see the current environment as significantly impacting the company’s business model and ability to outcompete in the low-cost airline industry so will add to the position on significant strength.

Top performers

Upstart (+44.9%), Bank Rakyat Indonesia (+11.9%), American Express (+8.2%), PAR Technology (+11.8%), Brookfield Infrastructure (+6.2%)

Bottom performers

PayPal (-34.9%), Wizz Air (-15.6%), Shopify (-28.1%), ING Group (-19.5%), Topicus (-13.4%)

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

	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17
Liontrust Global Innovation C Acc GBP	12.1%	32.1%	18.3%	-2.7%	20.5%
MSCI AC World	19.6%	12.7%	21.7%	-3.8%	13.2%
IA Global	17.7%	15.3%	21.9%	-5.7%	14.0%
Quartile	4	1	4	2	1

*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. 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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