LIONTRUST

GLOBAL EQUITY

Liontrust Global Alpha Fund

Q1 2022 review

Fund manager: Robin Geffen & deputy Will Geffen

The Liontrust Global Alpha Fund returned -11.1% over the quarter, versus the MSCI AC World Index, which returned -2.6% and its average peer in the IA Flexible Investment sector which returned -3.6% (both comparator benchmarks)*^.

The Liontrust Global Alpha Fund invests in high quality growth stocks that we believe can future proof your portfolio using the 5 key drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision. The portfolio allocation is driven by a very substantial overweight in the mid-cap area of the market, as well as a smaller allocation to appropriate large and mega caps to balance the portfolio in areas where we do not see attractive mid-cap companies. This overweight of mid-cap companies, that range between $10bn-$30bn market capitalisation is designed to help identify those stocks that can grow quickly to a $50bn-$250bn and beyond. The Fund does not have direct holding in small cap stocks, those below $10bn and invests solely in equities, having zero allocation to bonds or property.

During a period in which the Fund has faced a number of headwinds – namely the rotation into value stocks and interest rate rises – we have remained resolutely focused on the long-term prospects of the high-quality companies in which we invest and how they grow year after year. Our experience is that the long-term success of our investments will be determined by the compounding of growth, not the discount rate shifting up a few per cent.

In addition to these headwinds, the conflict in Ukraine but while we are following events closely, we do not attempt to forecast macroeconomic or geopolitical factors. We continue to focus on our five key drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision and believe that the companies that we own will endure and grow their value per share regardless of the economic backdrop. At times of indiscriminate sell-offs, the market presents us with opportunities to add to our highest-conviction companies at more attractive valuations.

Leading the notable contributors to returns was Palo Alto Networks, which offers an enterprise cybersecurity platform which provides network security, cloud security, endpoint protection, and various cloud-delivered security services. Over the quarter, the company performed strongly off the back of reporting fiscal second quarter results that were ahead of the average estimates. Total revenue for the fiscal second quarter 2022 grew 30% year over year to $1.3 billion, compared with total revenue of $1.0 billion for the fiscal second quarter 2021. The company announced that it had "continued to benefit from strength across our three security platforms, driven by strong cybersecurity demand, organizations architecting for hybrid work and growing their hyperscale cloud footprints."

CrowdStrike also performed strongly over the quarter after forecasting revenue growth for 2023 that exceeded average analyst estimates. In addition, the provider of cloud workload and endpoint security, threat intelligence, and cyberattack response services announced a net new annual recurring revenue (ARR) of $217 million in the quarter was a new all-time high, driven by expansion of our leadership in the core endpoint market as well as a record quarter for cloud, identity protection. Russia's invasion of Ukraine also led to a number of cybersecurity stocks trading higher towards the end of the quarter, caused by the heightened concern of cyberattacks with CrowdStrike being an example of a beneficiary.

Another notable contributor over the period was Zendesk, the provider of software-as-a-service products related to customer support, sales, and other customer communications. Over the quarter, shares in the company rose after it was approached by a private-equity consortium over a proposed takeover – which was later rejected.

On the other side of the ledger, Asana led the detractors over the quarter. The web and mobile work management platform designed to help teams organize, track, and manage their work fell c.21% at the start of March after announcing a disappointing margin outlook in their Q4 results. Asana's revenue surged 63.6% year over year in the fourth quarter. The performance brought its full-year revenue up to $378.4 million, which was up 67% annually. However, the company's guidance for significant sales growth deceleration, narrowing gross margins, and more significant losses this year prompted a sharp sell-off in the stock.

Despite announcing a strong set of fourth quarter and full-year results over the quarter, Twilio was also among the notable detractors over the period. The company announced revenue of $842.7 million for the fourth quarter of 2021, up 54% year-over-year and revenue of $2.84 billion for the full year 2021, up 61% year-over-year. With no additional stock news, the company's decline is likely to do with macroeconomic factors experienced over the first quarter, namely interest rate rises and inflation.

Shopify as another detractor over the period. The company, which provides software and other services that underpin the websites of many small businesses, 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.

We continue to be positive on the outlook for high quality growth stocks over the next year. We are especially positive as the mid cap area of the market continues to give considerable scope for further outperformance as the world continues to recover from the Covid-19 pandemic. Our emphasis on the drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision will, we believe, guide the Fund towards those companies that will change the world as we adapt going forward.

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

	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Liontrust Global Alpha C Acc	12.2%	42.8%	1.1%	9.4%	16.7%
MSCI AC World	12.4%	38.9%	-6.7%	10.5%	2.4%
IA Flexible Investment	5.0%	29.1%	-8.1%	3.3%	2.4%
Quartile	1	1	1	1	1

***Source: FE Analytics as at 31.03.22**

****Source: FE Analytics as at 31.03.22. Quartile generated on 05.04.22**

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.