



Liontrust Global Dividend Fund: March 2022 review

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The Liontrust Global Dividend Fund returned 4.2% in March. The MSCI World Index comparator benchmark returned 4.7% and the average return in the IA Global Equity Income sector, also a comparator benchmark, was 3.8%.

The top performer over the month was Ubiquiti (+16.9%), the company is a low-cost networking equipment disrupting Cisco's dominant market share. Ubiquiti sells products from WiFi routers to business customers to full stack networking offerings to industrial companies digitalising factories.

Importantly for customers, Ubiquiti has built a low-cost operating model with significantly lower fixed cost structure enabling it to price significantly lower in the market than Cisco with the same quality offering and as the company scales it passes its productivity gains onto its customers by driving prices lower. The company achieves its low-cost leadership by outsourcing most of its equipment design and innovation to low-cost wage geographies to drive efficiencies and limit organisational complexity as the company scales.

American Tower (+12.8%) also performed strongly over the month. In terms of company news, it was announced that the company was among several competitors and financial investors to submit initial bids for Deutsche Telekom's towers business. American Tower is a leading owner of communications infrastructure with a focus on wireless towers. AMT's portfolio includes 170,000 sites globally spread across over 15 countries, including over 40,00 in the US representing 65% of consolidated gross margin.

This news fits in with the notion that American Tower is looking aboard to extend its market position, with the company generally expecting its international markets to deliver organic growth rates over 200+ bps higher than the 6-8% seen domestically. The company possesses strong barriers enjoying long initial lease terms with fixed annual escalators and high barriers to entry, while ~50% asset utilisation provides a long runway for high margin incremental growth (~90% margin on new leasing with minimal capex).

Danaher (+9.0%) manages a portfolio of businesses focused on innovation in life sciences, medical diagnostics and environmental sciences. Its businesses produce mission-critical scientific tools with high switching costs for scientific practitioners (Danaher exhibits 75% recurring revenues). Danaher operates its businesses exceptionally efficiently under its management system (the Danaher Businesses System) developed over the past four decades, emphasising continuous productivity improvement. The company has a proven track record of improving the growth and profitability of its underlying businesses once it acquirers them, producing high returns on capital.

Our investment in Danaher enables us to gain exposure to the strong growth prospects of highly specialised scientific fields such as biopharma and diagnostics through a low-risk “picks-and-shovels” approach and through a leading specialised capital allocator.

On the other side of the ledger, Chinese low-cost sports footwear and apparel company Anta Sports (-15.9%) led the detractors over the period. Anta was the first to secure a dominant market position in athletic leisure wear in China and has used this scale advantage to distribute new higher quality brands to its customers. For example, Fila and more recently Amer Sports that includes Wilson tennis rackets, Salomon ski boots and Arc’teryx.

The market turned negative on Anta after Chinese officials locked down Shanghai after a Covid-19 outbreak – the stock price will remain volatile until the company emerges from its zero-covid strategy. However, shorter term weakness in consumer demand for Anta’s products should not impact the long-term opportunity for the company as long as Chinese household balance sheets remain healthy and income-per capita growth remains strong.

And lastly, Epiroc (+16.6%) was among the beneficiaries as mining and commodity companies surged in the wake of jumping commodity prices amid concerns that Russia’s invasion of Ukraine may spur a supply shock. Our investment thesis in Epiroc stems from the belief that the company is sustaining innovation in excavation machinery – particularly underground diggers and also EV powered machinery.

Epiroc derives around two-thirds of its revenues from the after-sale market (maintenance, training etc.), which means it provides low-cyclicality exposure to the mining industry and also embeds strong relationships with customers, working permanently on-site with them. Meanwhile, Epiroc’s innovation’s in electric powered mining machinery and diggers means it is becoming a key partner for mining companies in their mission to become more environmentally sustainable.

Positive contributors included:

Ubiquiti (+16.9%), American Tower (+12.8%), Danaher (+9.0%), Nvidia (+14.0%), Epiroc (+16.6%)

Negative contributors included:

Anta Sports (-15.9%), Tencent (-9.7%), Safran (-9.8%), Admiral Group (-13.9%), Estee Lauder (-6.4%)

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

	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Liontrust Global Dividend C Acc GBP	8.3%	38.1%	5.0%	15.6%	-1.0%
MSCI World	15.4%	38.4%	-5.8%	12.0%	1.3%
IA Global Equity Income	11.8%	32.0%	-9.8%	8.5%	-1.4%
Quartile	4	2	1	1	2

*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. 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.

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