



Liontrust Global Innovation Fund: May 2022 review

Fund Managers: James Dowey & Storm Uru

The Liontrust Global Innovation Fund returned -6.5% in May. The MSCI All-World Index comparator benchmark returned -0.3% and the average return in the IA Global sector, also a comparator benchmark, was -1.7%*.

PAR Technology (+13.4%) was among the top performers over the month following the announcement of its Q1 2022 results. The company reported revenues of \$80.3 million for period, a 47.4% increase compared to \$54.5 million for the same period in 2021, highlighting product revenue growth of 35% from Q1 last year, demonstrating strong demand from its enterprise restaurant customers for their unified commerce offerings.

As a reminder, PAR is a turn-around business that for over forty years has provided point-of-sale hardware to major fast-food chains (including McDonalds, KFC and Taco Bell) and is today focused on building a unified software operating system to modernise the whole restaurant. Fast-food restaurants today face major challenges due the need to cater to customers through multiple channels, including mobile ordering and curbside pick-up, and manage the workflow throughout the overall operation.

AI lending platform Upstart (-33.0%) fell sharply following the announcement it was cutting its full-year revenue outlook. While the company reported revenue of \$310 million, an increase of 156% from the first quarter of 2021, it also reduced expectations for its 2022 revenue forecast to \$1.25 billion from a prior estimate of \$1.4 billion, citing a slight deterioration in economic conditions. The company, which makes lending more efficient by using artificial intelligence to gauge creditworthiness, also said climbing interest rates were hurting loan volumes. "In addition to increasing rates for approved borrowers, this also has the effect of lowering approval rates for applicants on the margin".

Upstart will remain volatile in the near-term as it achieves scale in the AI lending industry – however, we are long-term investors in this company which is disrupting the traditional banking industry and expect periods of volatility as the business scales. Long-term, the opportunity for Upstart is significant, however, in the short term we are focused on managements ability to scale the business efficiently without taking undue risks.

Dutch multinational banking and financial services company ING (+19.7%) was among the notable contributors over the month. The company focused on operating system innovation over a decade ago and has now built a leading software infrastructure offering for the Dutch bank. Enabling the company to expand digital financial services across its banking footprint quickly and effectively to meet customer expectations. Importantly, the company has moved mobile only customers from 17% of total customers to 51% in 2021.

By building out an in-house software offering, the Dutch conglomerate has a leadership position in Europe as it can build on-top of current digital infrastructure. In addition, unlike other incumbent European banks, ING focuses on Net Promoter Score (NPS) differentiating its customer proposition in an archaic industry.

Top performers:

ING (+19.7%), Progressive (+10.8%), PAR Technology (+13.4%), Pinduoduo (+16.5%), Danaher (+4.7%)

Bottom performers:

Upstart (-33.0%), Lululemon (-17.7%), Topicus (-16.0%), Costco (-12.6%), Plane Fitness (-12.4%)

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

	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Liontrust Global Innovation C Acc GBP	0.1%	42.2%	4.7%	5.0%	13.0%
MSCI AC World	12.4%	38.9%	-6.7%	10.5%	2.4%
IA Global	8.4%	40.6%	-6.0%	9.0%	2.7%
Quartile	4	2	1	4	1

*Source: FE Analytics as at 30.04.22

**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.

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