



Liontrust Global Dividend Fund: April 2022 review

Fund Managers: James Dowey & Storm Uru

The Liontrust Global Dividend Fund returned -2.1% in April. The MSCI World Index comparator benchmark returned -3.8% and the average return in the IA Global Equity Income sector, also a comparator benchmark, was -0.2%*.

The top performer over the month was specialist paint and coating manufacturer Sherwin-Williams (+15.5%), with the company performing strongly after announcing its first quarter financial results. The company reported that consolidated net sales had increased 7.4% in the quarter to \$5 billion, with net sales from stores in the US and Canada increasing 3.8% in the quarter.

Sherwin Williams obsesses over its customers and services them through a fully integrated supply chain. Owning the end-to-end process – conceiving of and manufacturing paint products in its own plants, transporting them on its own trucks and distributing to end customers through its own stores – enables rapid turnaround times, close relationships with local contractors, and faster pivots in response to market conditions. The company possesses scale economies, managing a footprint of 4,400+ stores, which account for a third of specialty paint stores in North America and moves 95% of its volumes through its dedicated in-house fleet.

Also announcing strong first quarter results was industrial components, instruments and software specialist Roper Technologies (+4.4%), with the company also raising their full-year guidance. First quarter adjusted revenue increased 11% to \$1.53 billion, organic revenue also increasing 11% and adjusted EBITDA increased 8% to \$577 million. The company stated that there was “broad-based strength across our portfolio of niche-leading businesses. Our enterprise continues to exhibit strong momentum fuelled by double-digit software recurring revenue growth and robust product demand”.

Roper competes in niche markets with limited competition where it benefits from scale and a decentralised management structure. The company focuses on products and solutions that have high recurring revenue and represent a small cost to customers driving high switching costs. The company’s management has showcased its ability to strongly execute by developing a strategy in which it primarily grows earnings by focusing on its operating performance of existing businesses and by acquiring other businesses that offer high-value added services and engineered products and solutions.

On the other side of the ledger, the detractors were led by Nvidia (-28.8%) as worries over macroeconomic headwinds including runaway inflation, rising interest rates and fears of recession hobbled the stock market in the first half of 2022. We continue to believe that the company holds strong barriers given it has held an unrivalled position within computer game graphics for the past 25 years via its GPUs, graphics processing units. However, the computational tasks required for artificial

intelligence are similar to gaming and as such Nvidia has been able to position itself technologically as the performance leader by far in AI computing capabilities.

Alphabet (-14.0%) announced an underwhelming set of first quarter results, posting revenue, excluding pay-outs to distribution partners, of \$56 billion, missing average forecasts – this was led by slower-than-expected growth in YouTube. Results were also impacted by the increased market volatility and a slight pullback in spending in Europe following Russia’s invasion of Ukraine. However, Google’s cloud business posted a strong set of results, with sales increasing 43% to \$5.8 billion, with the company announcing that it plans to continue investing in the cloud sector.

Alphabet offers performance advertising, which allows advertisers to connect with their users with measurable results. It also sells brand advertising, which aims to enhance users' awareness and affinity with brands. Alphabet's generates most of its revenue from advertising, mostly in search but short-form video (YouTube) is becoming an important growth driver. The company is a key internet ecosystem company, with high technical and network barriers that strengthen with the ongoing digitization of the global economy and provide optionality to disrupt new industries.

Lastly, UnitedHealth (+4.5%) posted better results than expectations and modestly boosted its forecast for the year. Double-digit revenue growth at both its UnitedHealthcare insurance and Optum health-services arms propelled profit in the first quarter, as the company added 1.5 million new members compared to a year ago.

When it comes to corporate healthcare insurance, United offers the best quality/price ratio in the business. For slightly above average cost of healthcare coverage, an employer can insure its workforce with comprehensive high-quality care. The company is funding its long-term AI aspirations in Optum from its core healthcare insurance offering. Longer term, the opportunity for the company is significantly lowering the healthcare costs for the expensive and inefficient US healthcare system. Almost 10 years ago, the company launched this initiative and has built an insurmountable industry position.

Positive contributors included:

Sherwin Williams (+15.5%), Tencent (+5.5%), Roper Technologies (+4.4%), McDonalds (+5.6%), UnitedHealth (+4.5%)

Negative contributors included:

Nvidia (-28.8%), Starbucks (-14.0%), Alphabet (-14.0%), Danaher (-10.3%), Intuit (-8.6%)

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 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. 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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