



Liontrust Global Innovation Fund: April 2022 review

Fund Managers: James Dowey & Storm Uru

The Liontrust Global Innovation Fund returned -8.7% in April. The MSCI All-World Index comparator benchmark returned -3.5% and the average return in the IA Global sector, also a comparator benchmark, was -3.2%*.

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, its health services arm, 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.

Wizz Air (+9.8%) provided better guidance for the fourth quarter, helping extend a rally that was supported by an upbeat outlook from other companies within the sector. Wizz Air standardizes on Airbus instead of Boeing planes and leases rather than owns most of its fleet (finances aircraft through sale/leaseback). Resulting in no incremental training cost of training flight crew for different types of aircraft; can pair any crew with any plane; reduces the costs of maintenance and repairs and simplifies the logistics of ordering some small spare parts and maintaining inventory.

Wizz has so far confined its operations to existing markets for the most part, with 57% of its total capacity concentrated in countries where it is the market leader (Bosnia, Bulgaria, Herzegovina, Hungary, Macedonia, and Romania) and another 40% in markets where it is #2 or #3. Its market share across CEE has steadily expanded to 39%, making Wizz the largest low-cost carrier in the region.

Netflix (-46.7%) led the detractors in April after the company fell sharply after announcing a surprise decline in its subscriber base. The streaming service shocked the market by losing 200,000 customers in the first quarter, the first time it has shed subscribers since 2011. It also projected it will shrink by another 2 million customers in the second quarter. With content creation taking a pause during Covid, 2022 was always going to be bumpy for subscriber growth as the core proposition to new consumers is new blockbuster content. We will continue to look through the short term noise, but expect the company to ramp up content investment over the next 12 months to offset this weakness.

Nvidia (-28.8%) was another detractor over the period as worries over macroeconomic headwinds including runaway inflation, rising interest rates and fears of recession have 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.

Meituan (+15.6%) and Tencent (+5.5%) were among the beneficiaries as technology stocks led a broad rally in Chinese equities towards the end of the month as the nation's leaders vowed to boost economic stimulus and as speculation grew about a possible easing of the continued crackdown on internet firms.

Tencent continues to further entrench its range of products, building out an ecosystem to include communication (WeChat), financial services (WePay), cloud capabilities and a broad range of software services that compete with products among the likes of Adobe, Salesforce and Zoom. In addition, the company has completed a number of very successful early-stage investments in the next generation of disruptors like Pinduoduo and Sea Ltd that are well positioned to contribute complementary shareholder value creation opportunities on top of the core Tencent platform.

Top performers:

Reliance Industries (+10.0%), Bank Rakyat Indonesia (+8.7%), Wizz Air (+9.8%), Meituan (+15.6%), UnitedHealth (+4.5%)

Bottom performers:

Netflix (-46.7%), Nvidia (-28.8%), Upstart (-27.9%), TradeWeb Markets (-15.1%), Shopify (-33.4%)

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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