



## Liontrust Global Dividend Fund: June 2022 review

Fund Managers: James Dowey & Storm Uru

**The Liontrust Global Dividend Fund returned -5.4% in June. The MSCI World Index comparator benchmark returned -5.2% and the average return in the IA Global Equity Income sector, also a comparator benchmark, was -5.0%\*.**

Chinese low-cost e-commerce platform Alibaba (+21.7%) was among the top performers over the month following a surge in Chinese tech companies after hopes that Beijing is close to ending a yearlong regulatory crackdown on the industry. Having ensnared sectors from e-commerce to fintech and even online education, Beijing has recently taken a more lenient line, introducing a raft of policies aimed at propping up tech companies and the Chinese economy, including the approval of a second batch of video games this year, marking a further softening in the country's stance toward internet firms.

Alibaba has continued to show that it can execute effectively, successfully defending itself and its market position against new community group upstart Pinduoduo and is now shifting to monetise its leadership position. Importantly, the company is now focused on building out its Asian cloud infrastructure platform which we view as a significant drive of long-term value creation. Specifically, the Chinese cloud market is expected to grow from 0.2 trillion RMB in 2020 to 1 trillion RMB in 2025, representing a significant opportunity for Alibaba.

Costco (+7.9%) continues to execute in a high inflationary environment unlike many retail peers. The company has a unique business model in the retail industry that pulls all the buying power from over 98 million Costco members to lower the costs of all goods stocked in its warehouses. This low-cost retailer works alongside the customer by only marking up its goods by on average 13% to recoup costs, unlike traditional retailers who apply a market up of 50%.

Two of Costco's key mainstay innovations are its staunch commitment to a fixed markup of 14-15 per cent above costs on everything it sells and its limit on the number of different items it sells to only 3,700 per store on average. This gives it very strong bargaining power with its suppliers because every product must make sense to Costco and its customers at its fixed markup to stay in the store ahead of the competition on the bench. When products become too costly, Costco just sells other products. Meanwhile, as the lowest cost retailer, customers respond to any cost-of-living squeeze by shopping more at Costco.

Like the rest of technology, shares in Nvidia (-14.9%) have been hurt as the fastest rise in inflation in decades is triggering a global cycle of higher interest rates. That has hit first and foremost, the high-growth, high-multiple tech companies, in software and consumer services. In this indiscriminate sell-off we have taken this opportunity to add to our position in Nvidia.

In particular, Nvidia has built a dominant position in the AI semiconductor market and is set to strengthen this position with the launch of its AI specific CPU later this year. We view AI as a major General-Purpose Technology (GPT), and as such the likely growth and breadth of AI applications across the whole economy means Nvidia has a very attractive growth opportunity to capture over the next decade.

When it comes to corporate healthcare insurance, UnitedHealth (+7.6%) offers the best value proposition in the market. For slightly above average cost of healthcare coverage, an employer can insure its workforce with comprehensive high-quality care. The company enjoys a dominant market position in a fragmented market and is extending its leadership position by 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.

As market volatility reigns, we are seeing significant share price weakness in companies on our bench and are buying at prices from which we believe we will be able to compound capital at fantastic rates over the coming years. Examples include Sherwin Williams, Lifco and Nike. We have never been more excited than we are now about the opportunities being afforded to us to put capital to work.

**Positive contributors included:**

Alibaba (+21.7%), Costco (+7.9%), Estee Lauder (+4.6%), UnitedHealth (+7.6%), American Tower (+4.6%)

**Negative contributors included:**

Nvidia (-14.9%), Lifco (-15.6%), Sherwin-Williams (-13.2%), ASML (-13.4%), Volkswagen (-18.6%)

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

	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Liontrust Global Dividend C Acc GBP	-7.3%	26.5%	9.9%	17.2%	8.8%
MSCI World	-2.6%	24.4%	5.9%	10.3%	9.3%
IA Global Equity Income	1.0%	21.2%	-2.6%	8.4%	3.6%
Quartile	4	1	1	1	1

\*Source: FE Analytics as at 30.06.22

\*\*Source: FE Analytics as at 30.06.22. Quartile generated on 06.07.22

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>

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**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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