



## Liontrust Global Innovation Fund: June 2022 review

Fund Managers: James Dowey & Storm Uru

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

Agriculture-focused technology platform Pinduoduo (+27.3%) 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.

In addition, a number of Chinese stocks traded higher throughout the month amid easing lockdown restrictions in the country's two largest cities, Shanghai and Beijing, which were initially implemented following a spike in Covid-19 cases.

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.

The near-term operating environment for Wizz Air (-39.9%) is undeniably challenging as the company deals with its outsized exposure to the highest fuel prices in a decade and exposure to the war in Ukraine, sentiment in the stock reflects this shorter-term dynamic.

Even in a difficult operating environment for the company, Wizz Air is still growing capacity with the airline currently flying ~30-40% more capacity than in 2019. The company is growing capacity so it is ready to meet demand as economies return to normal following the Covid-pandemic – with Wizz Air well positioned to take share from traditional airlines and other low-cost carriers due to its positioning its services at the lowest price point across the industry.

The key metric we are watching this summer and as we enter 2023 is load factors across Wizz Air's operations. For the business model to drive significant shareholder value creation, we need to see a return to 90%+ load across Wizz Air's flights. So, we will be watching how many seats are filled up this summer season. We expect the volatility in the stock price to remain in the shorter term but expect

the management team to navigate this difficult operating environment and eventually prosper once conditions start to improve.

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.

#### Top performers:

Pinduoduo (+27.3%), Topicus (+10.9%), UnitedHealth (+7.6%), Costco (+6.6%), 2U (+16.5%)

#### Bottom performers:

Wizz Air (-39.9%), Upstart (-34.9%), Nvidia (-15.8%), Volkswagen (-15.9%), SVB Financial (-16.2%)

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

	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Liontrust Global Innovation C Acc GBP	-25.1%	24.2%	23.0%	2.0%	19.4%
MSCI AC World	-4.2%	24.6%	5.2%	9.7%	8.9%
IA Global	-8.8%	25.9%	5.4%	7.5%	9.1%
Quartile	4	3	1	4	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. 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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