



Liontrust Balanced Fund

Q1 2022 review

Fund manager: Robin Geffen, assisted by William Geffen, Clare Pleydell-Bouverie and James O'Connor

The Liontrust Balanced Fund returned -5.8% over the quarter, versus its average peer in the IA Mixed Investment 40-85% Sector, which returned -3.7%*^.

The Liontrust Balanced Fund invests in high quality growth stocks that we believe can future proof an investor's portfolio using the 5 key drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision. The portfolio is driven by large and mega cap stocks and does not have direct holdings in small and mid-cap stocks. We continue to believe that active and disciplined stock selection can deliver sustained outperformance, shown by the long-term performance of the Fund, which has returned 1016.9% since its launch versus the IA peer group 216.4%.

During a period in which the Fund has faced a number of headwinds – namely the rotation into value stocks and interest rate rises – we have remained resolutely focused on the long-term prospects of the high-quality companies in which we invest and how they grow year after year. Our experience is that the long-term success of our investments will be determined by the compounding of growth, not the discount rate shifting up a few per cent.

In addition to these headwinds, the conflict in Ukraine but while we are following events closely, we do not attempt to forecast macroeconomic or geopolitical factors. We continue to focus on our five key drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision and believe that the companies that we own will endure and grow their value per share regardless of the economic backdrop. At times of indiscriminate sell-offs, the market presents us with opportunities to add to our highest-conviction companies at more attractive valuations.

Leading the notable contributors to returns was Palo Alto Networks, which offers an enterprise cybersecurity platform which provides network security, cloud security, endpoint protection, and various cloud-delivered security services. Over the quarter, the company performed strongly off the back of reporting fiscal second quarter results that were ahead of the average estimates. Total revenue for the fiscal second quarter 2022 grew 30% year over year to \$1.3 billion, compared with total revenue of \$1.0 billion for the fiscal second quarter 2021. The company announced that it had “continued to benefit from strength across our three security platforms, driven by strong cybersecurity demand, organizations architecting for hybrid work and growing their hyperscale cloud footprints.”

CrowdStrike also performed strongly over the quarter after forecasting revenue growth for 2023 that exceeded average analyst estimates. In addition, the provider of cloud workload and endpoint security, threat intelligence, and cyberattack response services announced a net new annual recurring revenue (ARR) of \$217 million in the quarter was a new all-time high, driven by expansion of our

leadership in the core endpoint market as well as a record quarter for cloud, identity protection. Russia's invasion of Ukraine also led to a number of cybersecurity stocks trading higher towards the end of the quarter, caused by the heightened concern of cyberattacks with CrowdStrike being an example of a beneficiary.

Focusing on the detractors over the month, PayPal fell sharply after saying growth in spending on its platform continued to slow during the fourth quarter as economies around the world reopened and consumers flocked to in-store shopping. The company announced that total payments volume climbed just 23% to \$339.5 billion in the final three months of last year as the technology giant's former parent company, eBay, continues to move payments offerings away from PayPal. The company benefited during the pandemic from a boom in new users but it revealed that many of these new accounts had failed to make any meaningful contribution to the business. PayPal now plans to focus on more active, higher-value customers.

Sony experienced a sharp one-day decline over the period after its PlayStation video-game console rival Microsoft announced a \$69 billion deal to acquire games publisher Activision Blizzard Inc. The blockbuster acquisition escalates Microsoft's spending spree to secure intellectual property assets for its Xbox Game Pass service, wiping \$20 billion off Sony's valuation in a day. The push to attract paying subscribers with an overwhelming portfolio of games challenges Sony's traditional console business model that relies on high-profile exclusive titles and hardware sales.

Intuit, the global technology platform that makes TurboTax, QuickBooks, Mint, Credit Karma and Mailchimp, was another detractor over the period. The company reiterated full fiscal year 2022 revenue guidance, stating that revenue for its second fiscal quarter is expected to be lower than previous guidance due to a slower forming tax season. Intuit is the de facto standard in the US for consumer tax preparation and small business management software, driving high barriers to entry for competitors through leading brand recognition and financial strength.

We continue to be very positive on the outlook for quality growth stocks over the coming years. We are especially positive as the large and mega cap area of the market continues to give considerable scope for outperformance as the world continues to recover from the Covid-19 pandemic. Our emphasis on the drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision will, we believe, guide the Fund towards those companies that will change the world as we adapt going forward.

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

| | Mar-22 | Mar-21 | Mar-20 | Mar-19 | Mar-18 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Liontrust Balanced C Acc | 13.1% | 23.3% | 4.2% | 5.8% | 6.9% |
| IA Mixed Investment 40-85% Shares | 5.2% | 26.4% | -8.0% | 4.3% | 1.5% |
| Quartile | 1 | 3 | 1 | 2 | 1 |

***Source: FE Analytics as at 31.03.22**

****Source: FE Analytics as at 31.03.22. Quartiles were 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 value of fixed income securities will fall if the issuer is unable to repay its debt or has its credit rating reduced. Generally, the higher the perceived credit risk of the issuer, the higher the rate of interest. Bond markets may be subject to reduced liquidity. 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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