Liontrust Global Dividend Fund: Q1 2023 review

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The Liontrust Global Dividend Fund returned 4.9% over the quarter, compared with 4.8% from the MSCI World Index and 2.4% from the IA Global Equity Income sector (both comparator benchmarks).

Nvidia remains a pivotal investment for the Fund, albeit occupying a smaller position than at the beginning of the year due to the substantial increase in its stock price during the quarter. At the recent GTC developer's conference and keynote, the company showcased significant advancements in chips, services, and software.

Nvidia demonstrated the vast scope of opportunities, not only in terms of expanding its presence in existing markets (such as extending Hopper into the inference market and introducing Grace CPU to complement its GPUs), but more importantly, in branching out from chips and cards to systems, software, and cloud services. In our opinion, the company is strategically positioning itself to capitalize on the transformative potential of AI investments.

AI, at a high level, is expected to eliminate bottlenecks across all industries and enhance productivity for every company. Although it is challenging to determine the ultimate winners in this arena, the customer will undoubtedly benefit from a significant reduction in the cost of goods and services. Nvidia, with its 90% market share in the accelerated computing market for AI computation, offers a prime investment opportunity in the essential tools during this technological gold rush.

Conversely, companies that overspent during the pandemic must now pivot once more to streamline costs and improve productivity. As Mark Zuckerberg coined, this will be the year of efficiencies. A stronger performer for the Fund - Disney, while facing weaker trends in streaming subscriber growth and advertising challenges, is set to concentrate on significantly reducing streaming losses this year. CEO Bob Iger is committed to the path towards profitability in the direct-to-consumer business, and we anticipate improved margins as the company trims its pandemic-induced inflated cost structure.

As anticipated, Iger has firmly resisted a sale or spin-off of ESPN and is more intent on optimising all assets. During the recent earnings call, Iger unveiled a new transformation program centred on (1) streamlining the streaming business (focusing on profitability), (2) implementing a $5.5 billion cost-cutting initiative, and (3) fostering creativity (by enhancing accountability and quality of content and experiences). While one could argue this strategy's announcement and implementation were somewhat delayed, it provided us with the opportunity to invest in the company as a new addition to the Fund.

A laggard for the Fund Domino's Enterprises, a new holding, experienced challenges during the quarter as negative operating leverage significantly impacted operating earnings. The company faces several short-term headwinds that have caused its stock price to drop considerably over the past 18 months. However, we maintain confidence in the long-term earnings potential of the franchise to navigate this macroeconomic landscape and execute a robust growth plan. Notably, this Australia-based company does not share the market saturation issues experienced by Domino's UK business. Domino's Enterprises should be considered as the global franchise exclusive of the US and UK markets.

Lastly, Adobe, a difficult holding in 2022, continues to perform across its key operating segments: Creative Cloud, Document Cloud, and Experience Cloud businesses. Despite the challenging operating environment as companies brace for an economic downturn, the company achieved 13% YoY growth for Q1. Digital transformation is reshaping how we interact and engage with the world around us. Adobe's operational performance in this environment demonstrates the crucial role that its products play in fuelling the global digital economy, empowering everyone to envision, create, and bring any digital experience to life. The company is executing a strategy that lowers the technical creativity bar for all, accelerate document productivity, and power digital businesses by delivering an innovative product roadmap and engaging a growing customer base, from individuals to small businesses to the largest enterprises – democratising digital creativity.

As we look into the future, we anticipate the main market challenge is transitioning from inflationary pressures to a slowdown in economic expansion. Navigating through these testing times, we are confident that the ultimate victors will be innovative companies, thanks to their robust operational resilience, agile adaptability, exceptional structural growth prospects, and formidable competitive moats.

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

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust Global Dividend C Acc GBP	-0.8%	8.3%	38.1%	5.0%	15.6%
MSCI World	-1.0%	15.4%	38.4%	-5.8%	12.0%
IA Global Equity Income	2.3%	11.8%	32.0%	-9.8%	8.5%
Quartile	4	4	2	1	1

****Source: FE Analytics as at 31.03.23. Quartile generated on 06.04.23**

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.