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## Liontrust GF SF Multi-Asset Global Fund: Q1 2023 review

Fund managers: Peter Michaelis and Simon Clements

**The Fund returned 1.4% over the quarter, versus 3.7% from the comparator benchmark, a blend of 50% MSCI World, 35% Markit iBoxx EUR Overall and 15% ESTER\*†.**

Global equities started 2023 on a strong footing as signs of easing inflation in most major economies and China's re-opening supported positive market sentiment. However, sentiment turned in February as resilient economic data suggested that any pause in interest rate rises may still be some way off, with the Federal Reserve, European Central Bank and Bank of England all continuing with rate rises. The collapse of Silicon Valley Bank (SVB) in March led to a major sell-off in the US and European financial sectors, though this market turbulence was short-lived and did not prevent investor optimism leading global equities higher towards the end of the quarter.

As we have stated previously, we do not attempt to forecast or anticipate the macroeconomic developments that we have experienced in the last two years. Our focus is resolutely on our 20 sustainability themes that over the long term should provide strong and stable growth, relatively independent of economic cycles, and on finding those rare companies that harness this positive growth and which generate persistently high returns on capital. In the more muted economic years ahead, we expect the strength of our sustainable themes and the quality of the businesses we invest in will allow for strong performance.

Looking at our top performers over Q1, Spotify led the way during a period in which a number of our holdings released trading updates to market. The audio-streaming platform released a strong Q4 update, reporting fourth quarter subscriber growth and gross margin improvement that was ahead of average consensus. Paid subscribers grew 14% year-on-year to 205 million, with the company stating that this was 3 million ahead of consensus. Looking forward, Spotify said that it sees premium subscribers increasing to 207 million in the first quarter and that monthly active users are expected to grow by 11 million to 500 million.

Spotify fits perfectly into our *Encouraging sustainable leisure* theme as we believe music has been an important component of leisure time and culture for millennia. Listening to music is a fundamentally positive pastime and is key to the human experience; it brings people together and can also be enjoyed alone.

Ansys, the global leader in complex multi-physics real-world simulations, was another strong performer over the quarter following the release of upbeat fourth quarter results and a full-year adjusted revenue forecast of \$2.24 billion - \$2.32 billion that was ahead of average estimates.

Exposed to our *Improving the resource efficiency of industrial and agricultural processes* theme, Ansys's simulation software is essentially a computer programme that allows the user to observe an operation through simulation without physically performing that operation. The virtual testing and monitoring enables higher safety and quality standards in the design, development and maintenance of our products.

Long-term performer Cadence Design Systems put in another strong quarter, making gains following the release of impressive fourth quarter earnings that beat forecasts and contained upbeat outlook comments. Held under our *Improving the efficiency of energy use* theme, Cadence provides electronic design automation, technology

that designs and optimises semiconductor chips, which facilitates innovation behind many of our themes related to the digitalisation of the global economy.

Semiconductor firm ASML was another notable performer as strong sub-sector performance combined with a robust earnings release to push the company's share price higher. ASML remains at the forefront of improving semiconductor fabrication through extreme ultraviolet (EUV) development and holistic lithography. Smaller process nodes means more chips per wafer in manufacture and smaller, cheaper, more reliable, more energy efficient and more powerful end products. The company reported net sales in the fourth quarter of €6.4 billion, which was around the midpoint of the company's guidance, while gross margin exceeded previous guidance due to additional upgrades and an insurance settlement from last year.

Another top-performing stock in the semiconductor space was Infineon Technologies after it raised its sales and earnings forecast following stronger-than-expected demand in its core automotive and industrial sectors. The company now sees second-quarter revenue at more than €4 billion, up from an earlier forecast of €3.9 billion, Infineon also expects full-year sales to also be above its previous estimate of approximately €15.5 billion.

Exposed to our *Improving the efficiency of energy use* theme, Infineon produces efficient power management chips, which are used across the economy in electronics, particularly in computing and mobiles as well as autos and industrial automation. It is the largest player in power semiconductors, which are key for electrification, so it is well positioned here.

In terms of detractors over the quarter, the collapse of Silicon Valley Bank (SVB) in March (the second largest banking failure in US history) led to a major sell-off in the US and European financial sectors and a few of our holdings were impacted by the subsequent contagion. Banks in 2023 are very different to those in 2008 – they are better capitalised, better regulated and tend to have more diversified sources of funding. For the SF funds we look to invest in only those banks which demonstrate strong *Financial Resilience* – we did not invest in SVB in any of our Funds.

We note though that First Republic, which we did hold, has seen its shares impacted. First Republic started the year with a stronger credit rating than JP Morgan, and was the envy of the US banking sector. Unfortunately it was swept up in the turmoil associated with Silicon Valley Bank, given its deposit base was primarily in the San Francisco bay area, as was SVB's. Panic ensued as reports of the collapse of SVB hit the news, which saw First Republic's deposit base fall from 155bn to around 70bn over a few days. While the solvency of First Republic was sound, the sharp fall in its deposit base led to higher funding costs, and hurt profitability. We exited the position over the quarter.

Exposed to our *Saving for the future* theme, Charles Schwab was another one of our positions to be negatively impacted by concerns around the collapse of SVB. Shares in the US investment firm fell amid a crisis of confidence in the banking sector with these concerns being further amplified after UBS announced that it was to buy out struggling Swiss lender Credit Suisse.

The market turbulence following the SVB collapse serves as an important reminder of how vital it is to invest in companies with strong balance sheets and good business models; and also to have good diversification across portfolios. Both are key features of the Sustainable Future approach.

Away from the banking sector, our position in Agilent Technologies – a leading provider of instruments, software, services, and consumables for laboratories – was a notable detractor. Exposed to our *Better monitoring of supply chains and quality control* theme, Agilent's products help us ensure the air we breathe, the water we drink and the food we eat is not affected by dangerous impurities. It also has a growing diagnostics business which enables innovation in areas such as gene therapy. Over the period, the company's earnings forecast for the second quarter came in below average estimates..

Portfolio activity was limited over the quarter. Having exited First Republic, we initiated a position in Morningstar under our *Saving for the future* theme. Morningstar provides both quantitative and qualitative research to the investment industry, with databases and analytical tools covering private markets, ESG, credit ratings, equity valuation, and more. On the client side, they provide software and investment management services to financial advisors and institutions.

	Mar-23
Liontrust GF Sustainable Future Multi Asset Global A5 Acc EUR	-10.7%
50% MSCI World, 35% Markit iBoxx EUR Overall, 15% ESTER	-5.8%

*\*Source: FE Analytics, as at 31.03.23, primary share class (A5), in euros, total return, net of fees and income & interest reinvested. 10 years of discrete data is not available due to the launch date of the fund.*

### Key Features of the Liontrust GF SF Multi-Asset Global Fund

<b>INVESTMENT OBJECTIVE &amp; POLICY<sup>1</sup>:</b>	<p>The Fund aims to achieve capital growth over the long term (five years or more) by investing globally in sustainable securities.</p> <p>The Fund will only invest in equity and debt securities issued by global companies that provide or produce sustainable products and services, as well as equity and debt securities of issuers that have a progressive approach to the management of environmental, social and governance issues.</p> <p>The Fund may also invest in cash and Money Market Instruments.</p> <p>Allocations to equities, bonds and cash will vary over time depending on market circumstances. Asset allocation limits will, in normal circumstances, remain in line with the following ranges: Equity securities – 40-60%, Debt securities – 20-50%, Cash – 0-20%.</p> <p>While the Fund will invest predominantly in developed markets, it may also invest up to 20% in emerging market securities.</p> <p>At times the Investment Adviser may decide to hold a more concentrated portfolio, and it is possible that a substantial portion of the Fund could be invested in cash or cash equivalents.</p> <p>The Fund is permitted to use derivatives for the purposes of efficient portfolio management, investment and hedging purposes.</p>
<b>RECOMMENDED INVESTMENT HORIZON:</b>	5 years or more
<b>SRRI<sup>2</sup>:</b>	4
<b>ACTIVE / PASSIVE INVESTMENT STYLE:</b>	Active
<b>BENCHMARK:</b>	The Fund is actively managed in reference to its benchmark comprising 50% MSCI World / 35% Markit iBoxx EUR Overall Index / 15% ESTER by virtue of the fact that it uses the composite benchmark for performance comparison purposes. The benchmark is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the benchmark.
<b>SUSTAINABILITY PROFILE</b>	The Fund is a financial product subject to Article 9 of the Sustainable Finance Disclosure Regulation (SFDR).

Notes: <sup>1</sup>. As specified in the KIID of the fund; <sup>2</sup>. SRRI = Synthetic Risk and Reward Indicator. Please refer to the KIID for further detail on how this is calculated.

For a comprehensive list of common financial words and terms, see our glossary at:  
[liontrust.co.uk/benefits-of-investing/guide-financial-words-terms](https://liontrust.co.uk/benefits-of-investing/guide-financial-words-terms)

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**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.

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