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## Liontrust GF SF Multi-Asset Global Fund: Q2 2023 review

Fund managers: Peter Michaelis and Simon Clements

**The Fund returned 0.8% over the quarter, versus 1.7% from the comparator benchmark, a blend of 50% MSCI World, 35% Markit iBoxx EUR Overall and 15% ESTER\*.**

Across the portfolios, we continue to concentrate on where we have expertise and confidence in our predictions, namely the 20 sustainable themes that identify companies set to benefit making our world cleaner, healthier and safer. We continue to manage our portfolios in alignment with the themes, which themselves sit within three broader categories of *Better resource efficiency*, *Improved health* and *Greater safety and resilience*.

Within *Better resource efficiency*, the growth of renewables is accelerating for a market that's estimated to be worth half a trillion dollars, while the advent of the war in Ukraine has shown how security of supply is another essential attribute of renewable energy.

Under *Improved health*, there has been dramatic innovation in the development of diagnostic tools to aid early diagnosis, cancer and other diseases through the advances that we've seen in gene sequencing. Finally, within *Greater safety and resilience*, with water quality making the headlines, our theme around better monitoring of supply chains and quality control is focused on companies which provide equipment and services that undertake the essential analysis of our water, air and food.

All these areas are important to solving key sustainability challenges and should also deliver growth that is relatively independent of overall economic growth. While 2022 was a tumultuous year for almost every asset class, we believe that the foundations for our key themes – *Better resource efficiency*; *Improved health*; and *Greater safety and resilience* – are stronger than ever.

From an asset allocation perspective, we base our positioning on our views of economic conditions, risk and the likely returns from each asset class. Given where we are in the economic cycle, we maintain our overweight position in corporate bonds, which we feel can achieve good returns with relatively low risk.

On UK and global equities, we remain neutral. While we are positive on the returns from equities, the uncertainty of economic trajectory, and the associated volatility with that, holds us back from being overweight the asset class at this stage. Otherwise, we have reduced our overweight to infrastructure, recently taking profits from the strong performance from electricity generators, and we have moved to an underweight cash position, trimming down this asset class in order to help narrow the underweight that we have had to gilts.

In Q2, US healthcare company **Intuitive Surgical** was the top performer, strengthening following the release of robust Q1 earnings. Exposed to our *Enabling innovation in healthcare* theme, shares in the manufacturer of products linked to minimally-invasive robotic surgery jumped after reporting procedure growth figures for the first quarter that were ahead of average estimates.

Intuitive is committed to advancing patient care in surgery and other acute medical interventions. The company is focused on innovating to enable physicians and healthcare providers improve the quality of and access to

minimally invasive care by striving to find less invasive ways to enter the body, provide clearer views of anatomy and more precise tissue interactions, and helping hone surgical skills.

**Adobe**, the global leader in digital media and digital marketing solutions, was also among the top performers after reporting robust Q2 results and raising its full-year forecast. Held under our *Improving the efficiency of energy use* theme, Adobe announced a 10% y-o-y growth in revenue to \$4.8 billion for the second quarter, driven by strong demand across its Creative Cloud and Document Cloud products.

Adobe pioneered the shift to the cloud-based, subscription model, and this comes with a host of benefits from a sustainability perspective. Cloud computing is, in itself, a technology which makes our new digital world much less carbon and energy intensive. Adobe has successfully migrated nearly all of its customer base to the cloud, driving significant cost, efficiency and sustainability benefits.

Cybersecurity company **Palo Alto Networks** was another strong performer, reporting third-quarter results that beat average estimates, while also raising the lower end of its full-year revenue forecast. Exposed to our theme of *Enabling digital security*, Palo Alto provides cyber security solutions for over 85,000 organisations. Almost every facet of our lives has some online exposure, whether personal information, finances, commercial interactions and simple communications. The same is true for businesses, governments and international institutions. Keeping this information secure and only accessible by the right people is essential for retaining trust in all these on-line interactions.

Palo Alto's strategy is to build on the leading firewall product and move to subscription-based firewall and security as a service. This is increasingly based on consumption of data, meaning the market for security solutions will grow as data increases and more of this data is shifted into the cloud.

Another strong performer was **Trex**, the manufacturer of wood-alternative composite decking made from recycled materials. Held under our *Delivering a circular materials economy* theme, Trex is taking share from the traditional wood decking market which makes up approximately 75% of the market.

As a company, Trex exhibits the perfect marriage between sustainability and business fundamentals (i.e. where integration of ESG really matters). By using predominantly recycled materials, this lowers the company's production costs, providing it with superior margins. Exposure to the theme and the structural growth in the composite decking industry has led to strong revenue growth, which has typically doubled every five years with earnings growing at an even faster rate.

Among the detractors over the quarter was US biotechnology company **Illumina**. Exposed to our *Enabling innovation in healthcare* theme, Illumina's share price has fluctuated over the quarter as it has been locked in a proxy battle with activist investor Carl Icahn regarding the leadership at the company. A conclusion seems to have been achieved as, at the end of the quarter, Illumina announced that it had accepted Chief Executive Francis DeSouza's resignation.

All of Illumina's current revenues come from instruments, consumables and services that enable the genetic understanding of disease. We see huge positive opportunities to improve the way we treat disease coming out of better understanding of how disease works and, where genetics plays a key role, there is the opportunity to make personalised medicine that is very effective and cures disease. The current disease treatment system is very generalised with many people taking drug treatments that won't necessarily be effective for them. While there are serious ethical concerns about how these genetic technologies are used, we think there are many interesting opportunities to invest in companies that help us understand how disease works so we can make more effective treatments eventually.

Continuing with our *Enabling innovation in healthcare* theme, **ThermoFisher Scientific** was another detractor over the period. A key enabler of innovation within the healthcare and life science industries, ThermoFisher

provides instruments, reagent and consumables, as well as software and services to those progressing science for academic, governmental and commercial purposes. At the start of the quarter, the company disappointed in its Q1 results release, announcing a 9% y-o-y decline in its top line revenue as sales in its life sciences segment softened.

Swedish investment platform **Avanza** slid on the announcement of Q1 2023 results, with profits missing expectations. The bank, which is exposed to our *Saving for the future* theme and particularly proactive on sustainable investment and promoting the inclusion of women on its platform, reported that operating income increased by 13% to SEK 868 million. However, net brokerage income decreased over the first quarter due to lower trading activity.

With regards to portfolio activity, we initiated a new position in multinational plumbing and heating products distributor **Ferguson**, under our *Building better cities* theme. Sanitation is an area of sustainable development which offers a huge opportunity to improve over the coming decades. Clean water, decent toilets and good hygiene are basic human rights, and these also interact with other goals such as education, reducing inequalities and climate action.

We sold our position in **Puma** over the quarter. The recent departure of the CEO to a competitor was disappointing, given we rated his strategy and leadership highly. We had also hoped the sales of products directly related to wellness and exercise would outgrow the fashion-focused sales, which would have increased the thematic exposure, and seen an upgrade from C to B in terms of the product rating. This mix shift did not eventuate, as sportswear sales had disappointed. We therefore decided to exit the position.

We also sold **Intertek** over the quarter. We have become increasingly concerned that the “reshoring” phenomena is a headwind for growth and margins for Intertek. As production is incrementally brought back to home shores, particularly in the US, the level of complexity in terms of supply chain auditing also falls, which we feel may negatively affect the long-term earnings and returns profile of Intertek.

	Jun-23
Liontrust GF Sustainable Future Multi Asset Global A5 Acc EUR	4.0%
50% MSCI World, 35% Markit iBoxx EUR Overall, 15% ESTER	5.7%

*\*Source: FE Analytics, as at 30.06.23, 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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### Key Risks and Disclaimer

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