



Liontrust Global Dividend Fund: Q2 2023 review

Fund Managers: James Dowey & Storm Uru

The Liontrust Global Dividend Fund returned 1.8% over the quarter, compared with 3.9% from the MSCI World Index and 1.0% from the IA Global Equity Income sector (both comparator benchmarks).

As usual, this quarterly update will focus on the top contributors to performance over the period, **Adobe (+25%)** and **Marvel (+24%)**, and significant detractors, namely **Estee Lauder (-22%)**.

Adobe performed strongly after reporting a stellar quarter and the successful launch of *Firefly* (their new generative AI product). In their recent earnings report, Adobe expanded on the ways that they intend to monetize their generative AI offerings by broadening their top of funnel reach and increasing retention and engagement with existing customers. This provides an opportunity to raise average revenue per user to capture some of the additional value being created, and to expand enterprise offerings and agreements.

On the pricing front, management set expectations for: 1) a freemium model for a standalone Firefly; 2) higher average revenue per user for flagship applications; 3) subscription credit-packs for customers who wish to generate higher volumes of content, and 4) API access and customer model generation. Management expect this approach to be rolled out over a number of years and see revenue ramping over that time, though emphasized the current focus is on driving adoption and user acquisition.

Nevertheless, demand for Adobe products is already strong – in early July, the company announced that users had already generated over one billion images on the Firefly website and in Photoshop generative fill beta, up from over half a billion images announced as of Adobe's June earnings update. Crossing the one-billion-assets-generated mark (~20mn images/day) in a few short months demonstrates continued momentum, which bodes well for the company once they release Firefly-driven products and features as part of general availability for enterprises and other creatives.

Conversely, **Estee Lauder** was one of the key detractors of Fund performance in the quarter. The company continued to lag in a difficult operating backdrop, exacerbated by two key factors: 1) travel retail has remained woeful; and 2) the company over-indexes to (Covid-impacted) China relative to peers. The combination of these factors created the perfect storm for the company, which has historically seen Asia travel retail as a key driver of performance.

In particular, inventory visibility in Hainan (a key pinch-point for the company in travel retail) has been incredibly poor, leading management to take remedial steps including making significant investments to support retailers and improve supply chain efficiency. We view this as a business cycle correction following a period of extreme growth, and see Estee's long-term investment case still intact. Importantly, the company continues to take share in prestige beauty outside of China, driving the +10% organic sales growth for the business when excluding travel retail.

Elsewhere in the Fund, **Marvell Technology** performed strongly despite the fact that it is only just starting to realise the benefits from its string-of-pearls portfolio optimisation strategy, bolstering its competitiveness and moat across business areas such as 5G carrier infrastructure, datacentres, enterprise networks, and increasingly automotive markets. Indeed, Marvell has transformed from a fast-follower into a market-leader, providing a wide array of merchant silicon, semi-custom, and custom integrated circuits (ICs) on leading-edge process nodes that address challenges of bandwidth-friction and security in existing compute, networking, and storage architectures.

Much of Marvell’s success has been (and continues to be) driven by the growth of heterogeneous compute instances within server, networking, and storage applications. The industry is no-longer tied to general purpose “off-the-shelf” x86 CPUs for every single workload – there is no one-size-fits-all processor that works for the multitude of compute instances in a single data centre, let alone from one hyperscale to another. Marvell has 20+ years of experience in making storage controllers and network processes which, bolstered through recent M&A, has led them to amass an unrivalled treasure trove of over 10,000 patents, putting them in the driver’s seat when it comes to serving this market. But what is driving the stock appreciation now? Quite simply, the rise of accelerated computing: Marvell has arguably the best offering of PAM4 network switch silicon and electro-optics that enable cloud hyperscalers and telecom carriers to drive better data throughput of their infrastructure – key components for new accelerated computing infrastructure.

As we transition into the second half of 2023, we remain optimistic for generating strong returns into the end of the year and beyond. We worked hard for our clients to invest in companies that had experienced stock prices falls last year and are now invested in a wide range of attractively priced innovators at the beginning of a new market cycle.

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

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust Global Dividend C Acc GBP	11.5%	-7.3%	26.5%	9.9%	17.2%
MSCI World	13.2%	-2.6%	24.4%	5.9%	10.3%
IA Global Equity Income	9.2%	1.0%	21.2%	-2.6%	8.4%
Quartile	1	4	2	1	1

**Source: FE Analytics as at 30.06.23. Quartile generated on 06.07.23

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.

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