



Liontrust UK Ethical Fund: Q2 2023 review

Fund managers: Peter Michaelis and Martyn Jones

The Fund returned -2.6% over the quarter, versus the IA UK All Companies sector average of -0.7% and the MSCI UK Index's -0.6% (both of which are comparator benchmarks)*.

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.

Online money transfer specialist **Wise** performed strongly over the quarter after more than tripling its annual profits, boosted by an increase in customer numbers, while higher interest rates lifted income. The fintech company also updated its outlook for its 2024 financial year: it now expects income to grow between 28% - 32%.

Held under our *Increasing financial resilience* theme, Wise's mission is to bring transparency and fairness into moving money around the world. This covers pricing of products and sharing the economies of scale in order to bring foreign exchange (FX) costs down to zero. Traditionally, FX has been very costly for individuals especially those remitting small amounts regularly. Wise offers a significantly better rate, lower fees, and very simple app-based approach. Offering better rates is not just about having more to spend on your holiday; for migrant labour the typical 6% charge to remit earnings has very real impacts on household spending. Wise can reduce this by 60% on average.

Global catering services provider **Compass Group** was also among the positive contributors, reporting first-half results that topped estimates, increasing its outlook for the year and announcing a generous £750m share buyback plan. Exposed to our *Leading ESG management* theme, Compass serves 5.5 billion meals a year and employs 600,000 people across 55,000 client locations. The company fits into our investment universe for the way it manages its key Environmental, Social and Governance issues, which we believe are best in class and lead to superior growth and margin progression over the long run.

Having released full-year results that disappointed investors in April, **Learning Technologies Group** continued its downward trajectory through the quarter. The company experienced another share price slide after issuing an AGM notice in June stating that it continues to see ‘moderate business momentum’ in a challenging macro-economic environment.

While investor newsflow was relatively light over the quarter, **Mortgage Advice Bureau (MAB)** was among the detractors as the UK continues to grapple with stubbornly high inflation and a flatlining economy. Exposed to our *Saving for the future* theme, MAB provides a platform for mortgage advisers to help individuals get mortgages and insurance products. These products provide clear benefits to society and Mortgage Advice Bureau is instrumental in professionalising the industry.

Identity verification and fraud protection specialist **GB Group** reported an increase in revenue for the year to 31 March, rising to £279m from £244m the previous year. However, the group posted a £119m pre-tax loss after recording a £122m impairment charge as it factored in lower demand trends for its US identity business. GB Group, which is exposed to our *Enhancing digital security* theme, helps reduce the incidence of fraud and enables other companies to meet compliance regulations. Its products directly contribute to making the digital world safer and more resilient. The proposition to customers is to root out fraud while not deterring genuine customers. It claims their products can verify 50% of the global population in 70 countries.

With regard to portfolio activity, we added global information services company **Experian** under our *Increasing financial resilience* theme. As the world’s largest consumer credit bureau, Experian plays a critical role financial stability through the provision of transparent and accurate credit information. Experian has also developed a number of free tools on the consumer side of the business aimed at improving financial inclusion and credit scores – Experian Boost and Experian Go – helping people establish a credit identity and improve their score, all free of charge.

Discrete years' performance, to previous quarter-end:
Past performance does not predict future returns**

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust UK Ethical 2 Acc	-4.4%	-22.6%	32.8%	-4.3%	7.1%
MSCI UK Index	8.1%	9.2%	17.4%	-15.3%	1.6%
IA UK All Companies	6.2%	-8.5%	27.7%	-11.0%	-2.2%
Quartile	4	4	1	1	1

*Source: FE Analytics, as at 30.06.23, total return, net of fees and income reinvested.

**Source: FE Analytics, as at 30.06.23, primary share class, total return, net of fees and income reinvested.

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 and disclaimer

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