

Global Innovation

Q1 2024 Review

Liontrust Global Innovation Fund



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The Liontrust Global Innovation Fund returned 9.6% in Q1, ahead of the IA Global sector average of 7.8% and the MSCI All-Country World Index return of 9.2% (both comparator benchmarks).

As of the end of Q1 2024, the Liontrust Global Innovation Fund has delivered a return of 56% since its strategy inception on 1st July 2019. This performance slightly lags the MSCI All-World benchmark by 5 percentage points but surpasses the average IA peer by the same margin, positioning it in the second quartile within the IA Global Equity sector over this period*.

In the first quarter of 2024, the Fund continued its robust recent performance. Key contributors to the Fund's performance during this period were **Nvidia**, **Meta Platforms**, and **Spotify**, while **Tesla** and **Upstart** presented challenges.

Nvidia, Meta, and Spotify have benefited from sustained improvements in the fundamentals of their operations. Currently, Meta and Spotify are significantly enhancing their operational leverage, which leads to a reduction in expenses alongside re-accelerated top-line revenue growth.

We recognise that the market largely acknowledges this trend; however, a visit to Spotify in New York in Q4 last year revealed that this approach is part of a long-term strategy rather than a mere short-term tactic. We anticipate this dynamic will unfold over the next five years, resulting in substantially higher profitability for the company. We expect Meta to follow a similar trajectory as both companies leverage AI on a large scale to enhance efficiency and output.

Nvidia's share price continues to play catchup with its exceptional business growth. We firmly believe that we are in the early stages of this 'football match', as businesses transition from AI experimentation to deployment. Nvidia's market dominance and its ability to significantly reduce compute costs for cloud customers reinforce its strong pricing power.

The unveiling of Nvidia's new Blackwell architecture at its GTC conference marks a significant advancement in computing performance. Notably, the Blackwell system offers considerable improvements in energy efficiency, addressing a growing concern within the industry and, ultimately, the economy.

During the quarter, higher global yields posed challenges for our holdings more sensitive to economic cycles, such as Tesla and Upstart. However, we expect this dynamic to change as looser monetary policy dramatically boosts consumer demand for electric vehicles and new loans.

Moreover, companies across our portfolio facing weak end-market demand are proactively investing to solidify their market leadership. This strategy ensures they are well prepared for when demand rebounds.

We continuously revise our outlook on companies as we navigate the new technology cycle, particularly those well-positioned within the AI-driven technology stack. Our most significant strategic adjustment this year has been reducing our confidence in Google's ability to circumvent the 'innovator's dilemma'. Despite its strong position within the AI stack, Google's core search business faces substantial disruption risks over the next five years. Consequently, we have exited this position across all funds, awaiting the next moves from Google's management before reassessing our stance.

Our recent trip to Silicon Valley underscored the intense competition within enterprise software, particularly among software-as-a-service leaders from the past decade which are striving to transition to the next technology cycle. It is rare for technology firms to lead across successive technology eras, and this cycle will be no exception.

We have also identified other companies, such as Adobe and Salesforce, as being susceptible to significant disruption. These firms, once favoured for their quality growth, are now facing competition from new entrants offering more cost-effective and agile products and services.

Looking ahead to Q2, our outlook for the Fund remains highly positive. The fundamental improvements within these companies are significantly outpacing their stock price performance, and we view periods of volatility as opportunities to enter new positions across our watchlist.

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

	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20
Liontrust Global Innovation C Acc GBP	26.9%	-12.1%	0.1%	42.2%	4.7%
MSCI AC World	20.6%	-1.4%	12.4%	38.9%	-6.7%
IA Global	16.7%	-2.6%	8.4%	40.6%	-6.0%
Quartile	1	4	4	2	1

*Source: FE Analytics, as at 31.03.24, C accumulation share class, total return, net of fees and income reinvested. Fund inception date is 31.12.01; the current fund managers' inception date is 01.07.19.

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 does not predict future returns. You may get back less than you originally invested. We recommend any fund is held long term (minimum period of 5 years). We recommend that you hold funds as part of a diversified portfolio of investments.

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

The Fund may invest in emerging markets which carries a higher risk than investment in more developed countries. This may result in higher volatility and larger drops in the value of the fund over the short term.

The Fund may encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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.

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