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Global Innovation

Q1 2024 Review

Liontrust Global Technology Fund




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The Liontrust Global Technology Fund returned 14.5% in Q1, ahead of the IA Global Technology sector average of 11.1% and the MSCI World IT Index return of 13.3% (both comparator benchmarks).

By the end of Q1 2024, the Liontrust Global Technology Fund has achieved a 55% return since its strategy inception on 8th February 2023. This performance significantly surpasses the concentrated MSCI IT benchmark by 11 percentage points and outperforms IA peers by 22 percentage points, establishing it as the leading fund over this period in the IA Global Technology sector*.

Among the top performers, Nvidia, Arm Holdings, and Super Micro Computer responded positively to sustained improvements in their business fundamentals. Notably, Arm Holdings and Super Micro's stock prices advanced significantly, reaching our five-year price targets, prompting us to exit these positions during the quarter. These stocks have since returned to our watchlist, awaiting a potential pullback in their prices.

Conversely, Nvidia's share price continues to play catchup with its exceptional business growth. We strongly believe that we are in the early stages of this 'football match', as enterprises begin transitioning from AI experimentation to deployment. Nvidia's dominant market position and strong pricing power are underscored by its ongoing success in significantly reducing computing costs for cloud customers.

The introduction of Nvidia's new Blackwell architecture at its GTC conference represents another significant advancement in computing performance. Crucially, the Blackwell system is markedly more energy efficient, addressing a key concern for 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 continually revise our views on companies as the new technology cycle unfolds, particularly those poised favourably in the AI-driven technology stack. The most significant change in our thesis this year is our reduced confidence in Google's ability to navigate the 'innovator's dilemma'. Despite its strong positioning within the AI stack, Google's core business, which is the most valuable to the company, faces significant disruption risks over the next five years. Consequently, we have divested from Google across all funds and will monitor the management's next steps before reassessing our position.

Our recent visit to Silicon Valley emphasised the fierce competition within enterprise software, as winners from the last decade's software-as-a-service market strive to transition to the next technology cycle. It is uncommon for technology companies to lead in multiple technology cycles, and this cycle will be no exception.

We have also identified other companies, such as Adobe and Salesforce, as facing significant disruption risks. These firms, once celebrated for their quality growth, are now being outpaced by new market entrants offering cheaper, more agile products and services with lower-cost business models.

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.

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

	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20
Liontrust Global Technology C Acc GBP	51.9%	-11.4%	18.0%	40.5%	6.9%
MSCI World Information Technology	39.1%	-0.7%	20.6%	50.8%	12.6%
IA Technology & Telecommunications	33.1%	-6.0%	4.3%	57.0%	6.5%
Quartile	1	4	1	4	3

*Source: FE Analytics, as at 31.03.24, primary share class, total return, net of fees and income reinvested. Fund inception 15.12.15; current fund managers' inception date is 08.02.23.

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 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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