LIONTRUST
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Sustainable Investment

Q1 2024 Review

Liontrust Sustainable Future Global Growth Fund

Peter Michaelis

Head of Sustainable Investment

Simon Clements

Investment Manager

The Fund returned 7.4% over the quarter, versus the 9.9% return from the MSCI World Index and the 7.8% IA Global sector average (both of which are comparator benchmarks)*.

Across our Funds, we have been pleased with the ability of the businesses we invest in to deliver growth and execute, in spite of the slowing global economy. This is testament to the structural nature of the themes we invest in, which we believe have strengthened – energy security, innovation in healthcare and environmental efficiency all have a much higher priority than they did even five years ago. We also have great confidence in the quality of the businesses and management teams of our selected companies.

In terms of portfolio attribution, ASML moved sharply higher after issuing strong Q4 results. The company is a key player in the global semiconductor market through its EUV (extreme ultraviolet) lithography systems. Its net sales accelerated 8% quarter-on-quarter to €7.2 billion in Q4 with a gross margin of 51.4% – both ahead of ASML's prior guidance. ASML's advances in semiconductor manufacturing help enable smaller, cheaper, more reliable, more energy efficient and more powerful end products. The company sits within our *Improving the efficiency of energy use* theme.

Spotify performed strongly in 2023 and has carried this momentum over to 2024. In the past, we've felt the market has at times misunderstood the company and its potential, namely around the key metrics that we believe are important for Spotify – specifically, user and subscriber growth. The strong growth in these metrics has, however, been very clear in recent results. Q4 results showed a 23% year-on-year increase in total monthly active users to over 600 million, with revenues rising 16% as a result.

Another of the strongest quarterly risers was Adyen, the operator of a global payments platform. It provides a very important service for a small fee, thereby playing an important role in making transacting online safer and easier. The company is a core part of our *Enhancing digital security* theme. Having disappointed the market with results six months ago, when it warned of growth moderation due to digital clients focusing on cost savings, Adyen saw a much better reaction to the release of full-year results. In the second half of 2023, Adyen's processed volume was €544 million – up 29% year-on-year. Digital volumes rose 33% as it ramped up its relationship with an existing customer.

Intuitive Surgical was another company to move higher on the strength of its Q4 results. The minimally invasive care and robotic-assisted surgery specialist is held under our *Enabling innovation in healthcare* theme. It announced 17% growth in Q4 revenue to $1.93 billion, driven by growth in volumes of its da Vinci robotic surgery procedure and higher pricing for instruments and accessories. Da Vinci procedures rose 21% year-on-year in the final quarter. For 2023 as a whole, Intuitive placed 1,370 da Vinci surgical systems – up 8% – and it expects 2024 procedures to grow by 14% to 16%.

Among the detractors for Q1 was Japanese staffing and service company TechnoPro, which is held under our *Improving the efficiency of energy use* theme. Despite beating Q2 sales and operating profit estimates, shares in the company fell following concerns around the company's second half outlook due to the prospect of increased hiring costs.

German semiconductor manufacturer Infineon Technologies was also among the quarter's poor performers, most notably lowering its revenue forecast for the year in February. Exposed to our *Improving the efficiency of energy use* theme, Infineon cited a decline in sales for power and sensor chips for industrial applications for lowering revenue guidance to €15.5 billion to €16.5 billion, from its previous guidance midpoint of €17 billion.

Also among the detractors for the period was drug discovery and development company Evotec, which was sold over the quarter following the abrupt departure of its CEO, Werner Lanthalar. The company said this was due to personal reasons, but after we spoke to management it became clear his departure was related to the late disclosure on his share dealings in Evotec shares over the last few years. While the company disclosed the information as soon as it was available, so was in no way liable, the circumstances around the former CEO's transactions are hugely disappointing. The CEO was an important part of the investment case for the Evotec business, and his departure is a significant blow to the investment thesis. While the company itself has done nothing wrong, it has unfortunately been let down badly by its key leader. We decided to exit the position as we feel the management quality threshold we require to invest has not been met.

We made one purchase over the quarter, adding industrial manufacturing company Siemens under our *Improving the resource efficiency of industrial and agricultural processes* theme. Siemens has restructured itself into just four main divisions: Digital Industries; Smart Infrastructure; Healthineers and Mobility. These help to drive improvements in resource efficiency; electricity use; diagnostics and health; and mass transport (trains). We believe each of these divisions will grow as our economies become more sustainable.

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

	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20
Liontrust Sustainable Future Global Growth 2 Acc	20.3%	-8.2%	5.7%	42.7%	3.3%
MSCI World	22.5%	-1.0%	15.4%	38.4%	-5.8%
IA Global	16.7%	-2.6%	8.4%	40.6%	-6.0%
Quartile	2	4	3	2	1

*Source: FE Analytics, as at 31.03.24, 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

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

All investments will be expected to conform to our social and environmental criteria.

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 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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