



Liontrust SF UK Growth Fund: Q2 2023 review

Fund managers: Peter Michaelis and Martyn Jones

The Fund returned -0.1% over the quarter, versus the IA UK All Companies sector average of -0.7% and the -0.6% return from the MSCI UK Index (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.

In terms of performance drivers, our best performing stock over the quarter was global life sciences company **Abcam**. Exposed to our *Enabling innovation in healthcare* theme, the company reported robust first quarter revenue figures, driven by double-digit growth in Americas and EMEA, while China returned to growth in the high-single digits.

Abcam provides high quality research tools to enable the progression of life science research. Science has a reproducibility problem, with a significant proportion of experiments not reproducible by others, or indeed by the original scientist. Part of the issue here is the quality of the tools or inputs that are being used. By continually refining their product portfolio to be the highest quality, Abcam ensures scientists get the best out of their research work.

Online money transfer specialist **Wise** performed strongly 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.

Private equity company **3i Group** was also among the top performers over the quarter after its full year results release in May was received well by the market – reporting net asset value per share that beat average estimates. Exposed to our theme of *Increasing financial resilience*, 3i's private equity business delivered a gross investment return of £5.0bn, or 40%, driven primarily by its position in non-food discounter Action, which recorded a very strong performance in FY2023. The strong returns were also aided by contributions from a number of its other portfolio companies operating in the value-for-money and private label, healthcare, industrial technology and business and technology services sectors.

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.

Trustpilot was among the weaker performers as the customer-review company also continues to struggle with the uncertain macroeconomic environment. Held under our *Increasing financial resilience* theme, improving trust in e-commerce is an important function in our digital economy – it helps to address the asymmetry between consumers and businesses. With bricks-and-mortar retailers you can go to shop and leave feedback – this interaction is more difficult to have in a digital economy. A free, fair and independent reviewing system helps to improve our trust and in the digital economy, raising the profile of good businesses and highlighting bad actors, encouraging them to improve.

With regards to portfolio activity, we initiated a new position in multinational plumbing and heating products distributor **Ferguson**, under our *Building better cities* theme. Sanitation is an area of sustainable development which offers a huge opportunity to improve over the coming decades. Clean water, decent toilets and good hygiene are basic human rights, and these also interact with other goals such as education, reducing inequalities and climate action.

We also 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 Sustainable Future UK Growth 2 Acc	0.3%	-23.0%	28.7%	-4.5%	6.1%
MSCI UK	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	2	1	1
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*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:
liontrust.co.uk/benefits-of-investing/guide-financial-words-terms

Key Risks and Disclaimer

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