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Global Fundamental

Q1 2024

Liontrust US Opportunities Fund

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Over the quarter, the Liontrust US Opportunities Fund* (the 'Fund') returned 12.1%, compared with 11.5% by the S&P 500 Index and an average performance of 7.2% by funds in the IA North America sector.

US equities posted a positive return in Q1, driven by strong contributions from technology companies as enthusiasm around artificial intelligence (AI) drove the sector higher. In addition, expectations of interest rate cuts also boosted shares, though the pace of these cuts is likely to be slower than the market had hoped for at the beginning of the year.

Positive stock attribution

The most significant contributor to performance over Q1 2024 was **Nvidia**, the global chipmaker specialising in AI. The company saw its shares more than double in 2023 as it delivered rapid earnings growth. Despite significant subsequent upgrades to analysts' earnings expectations, Nvidia continues to benefit from the bullish sentiment around AI. It still managed to exceed consensus with Q4 revenues of $22.1billion and EPS of $4.93, beating forecasts of $20.4 billion and $4.59 respectively. The shares continue to ride a wave of AI excitement, with incremental data points from early AI adopters such as Klarna showing strong productivity gains.

Installed Building Products was once again among the top contributors to portfolio performance, also rising on the back of Q4 results. The company recorded a 5% increase in net revenues to $721 million, with adjusted gross profit margins expanding to 34.1%, up from 31.7% a year earlier.

Also among the top performers over the period was **Meta Platforms**, the mega-cap technology company, following announced plans to buy back an additional $50 billion in shares and issue its first-ever quarterly dividend. Meta also impressed with its earnings release, reporting strong fourth-quarter results, including a 25% gain in sales and profits that tripled. Furthermore, the company also projected revenue growth for the current period that surpassed average estimates.

Amazon was another portfolio holding to report robust earnings, announcing strong sales with fourth quarter revenue increasing 14% to $170 billion. In addition, Amazon provided an operating income outlook that surpassed average estimates.

Negative stock attribution

Among the detractors for the period was LGI Homes, the entry-level homebuilder. Around the halfway stage of the quarter, shares in LGI Homes fell after its fourth quarter earnings release came in below expectations. While home sales revenue increased by 2.3% year-on-year to $2.4 billion, analysts were underwhelmed with its Q4 EPS and disappointing 2024 guidance.

Adobe was another to finish the quarter in negative territory as competition concerns were revived after it abandoned the Figma deal. It is also suffering somewhat from a shift in perceptions from AI winner to AI loser after the release of OpenAI's Sora for AI generated video.

Travel technology company Sabre was the largest faller in terms of total returns after reporting Q4 bookings that missed estimates, while the company's full-year guidance for revenue and adjusted EBITDA also fell short of expectations.

Outlook

Central banks on both sides of the Atlantic hinted in March at rate cuts this year, to which equity and bond markets reacted positively. However, the signals will likely change if the inflation trend inflects. We are pivoting from our previous expectations of lower inflation and interest rates, thanks largely to economic data.

While we had expected the tailwind from lower shelter inflation to come through in the US, inflation has proven to be sticky the last few months. If anything, inflation on a month-on-month basis has started to accelerate. If inflation continues to be stubborn, then this will weaken the Federal Reserve's impetus to cut interest rates in 2024. US and global economic data point to strengthening growth, which will add further upside pressure to inflation and reduce the likelihood of rate cuts.

Given this change in our outlook, we have trimmed our positions in interest rate sensitive sectors such as housing. These stocks have performed very well, so are now pricing in positive outcomes, while the macro interest rate environment may begin to deteriorate for them. Instead, we are reallocating capital to more later cycle sectors such as cybersecurity, that may benefit as accelerating growth comes through. The valuation of some of these stocks are also much less demanding relative to their history.

Making macro forecasts is a hazardous pursuit. Instead, we prefer to diversify our portfolio broadly, focusing more on idiosyncratic risks and opportunities. However, we must also remain aware of what scenarios are priced into the stocks, which drives our risk/reward framework. This has helped inform some of the recent rotations in our holdings.

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

	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20
Liontrust US Opportunities Acc	31.5%	-11.8%	14.5%	48.6%	-3.1%
S&P 500 Index	26.5%	-2.2%	20.7%	39.8%	-2.8%
IA North America	25.1%	-4.0%	16.1%	42.4%	-4.0%
Quartile	1	4	3	2	3

* Source: FE Analytics, as at 31.03.24, total return, net of fees and income reinvested

** 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 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.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.

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.

Disclaimer