

Why Invest in Innovation?

Liontrust Global Innovation Approach

Co-Fund Managers: James Dowey and Storm Uru

April 2022



For professional investors and advisers only



29th June 2007

Original iPhone goes on sale. . . .



. . . but key Apple patent for multi-functional cellular telephone registered in 1997

Key Apple patent for iPhone granted 1997



Original iPhone released 2007



1997

2001

2003

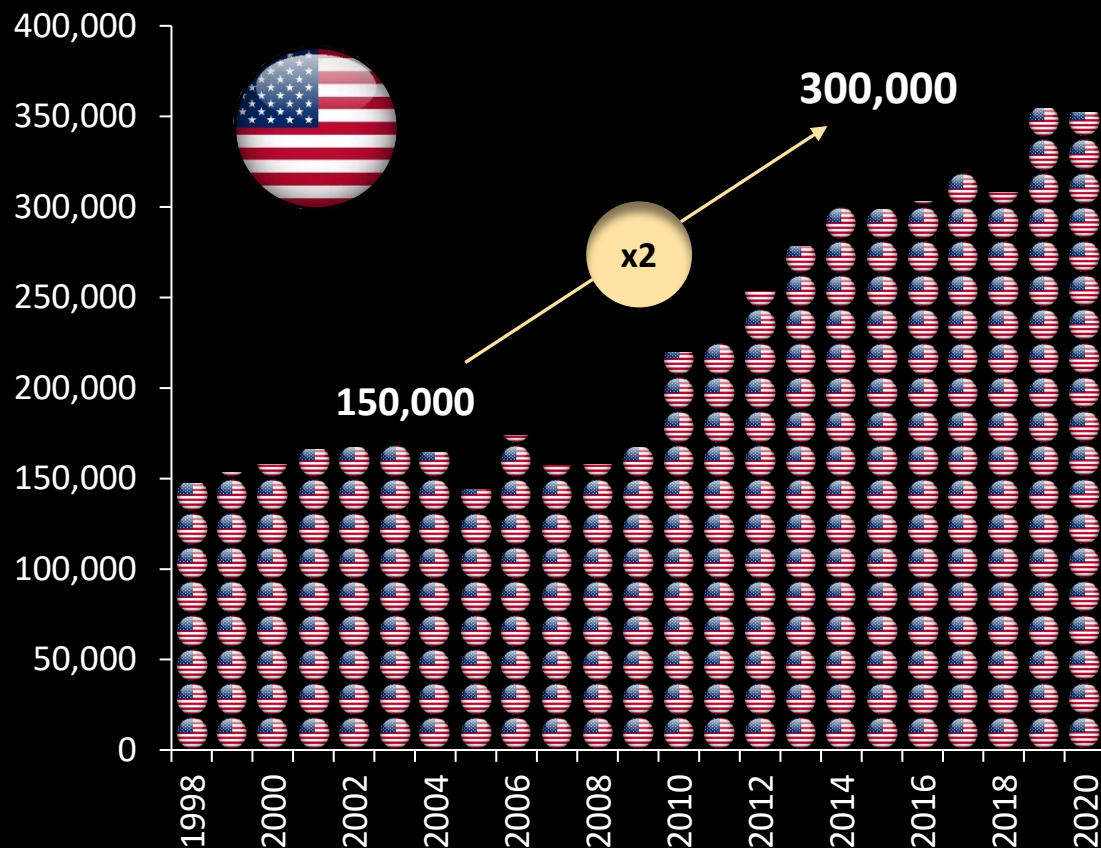
2005

2007

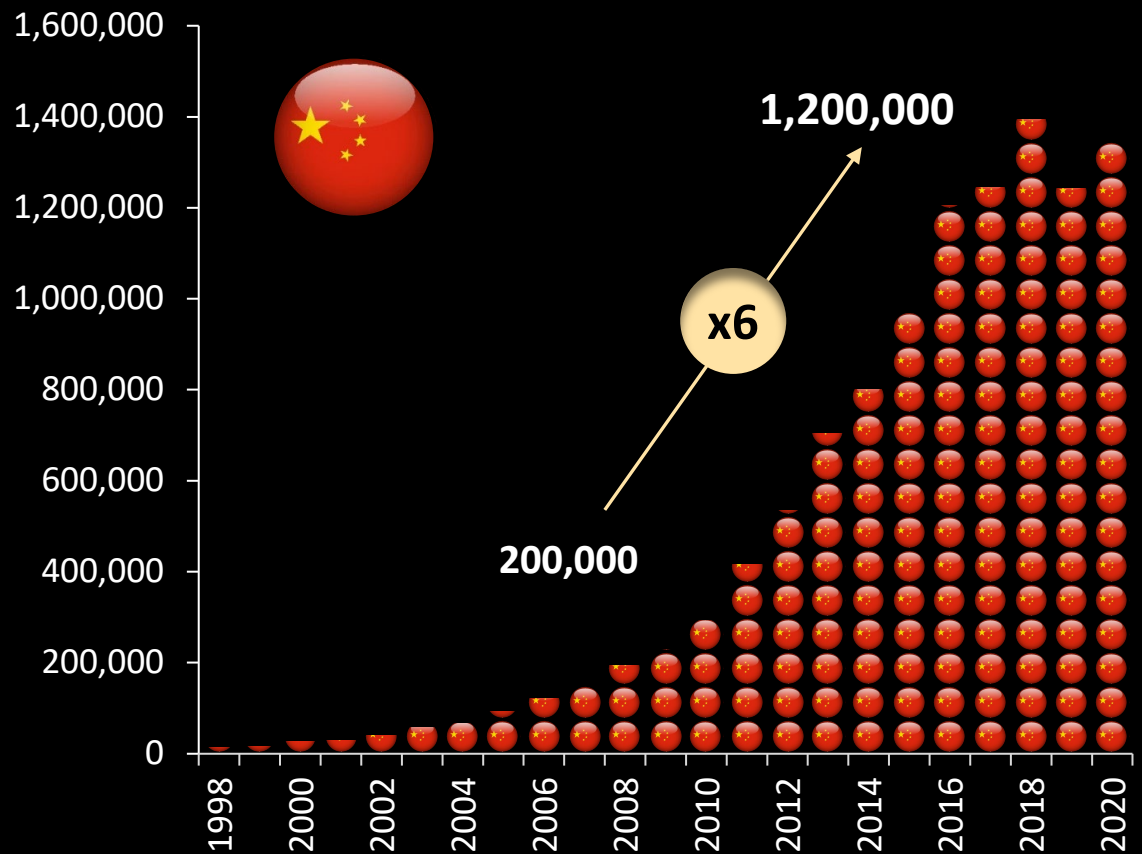
Today's innovation pipeline is booming

Unprecedented innovation prospects for 2020s

Patents granted per year in the US



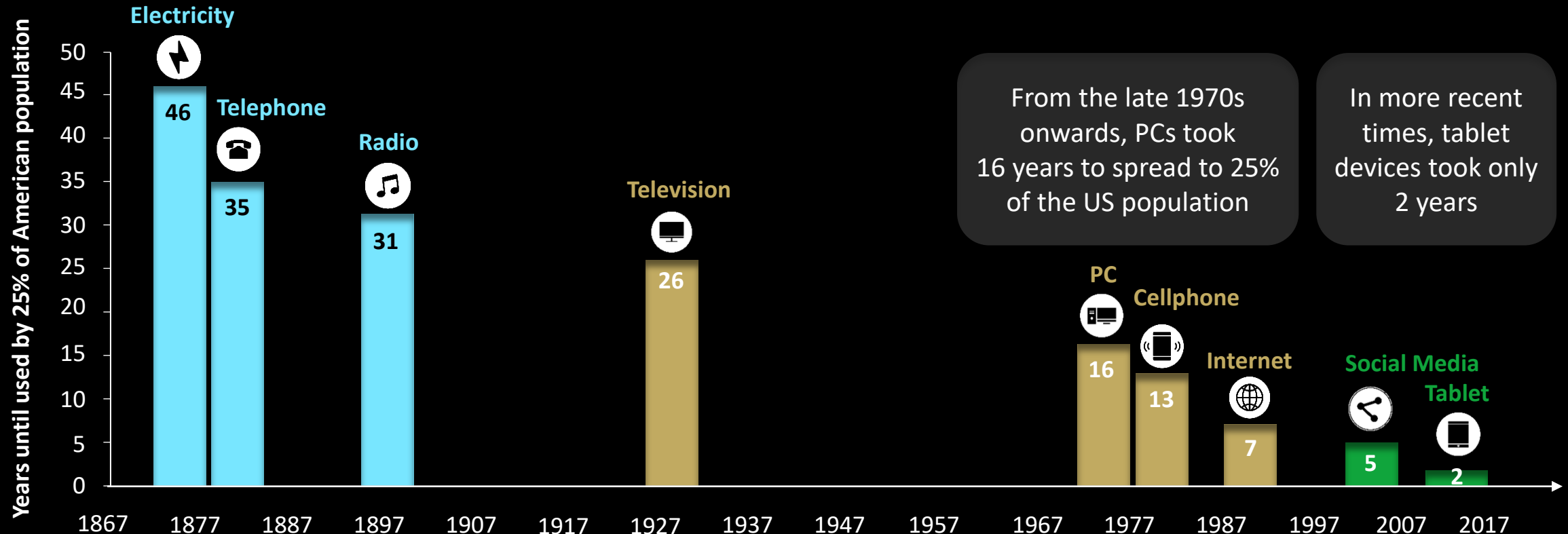
Patents granted per year in China



Adoption rate of new innovations is accelerating

Faster Innovation and Adoption

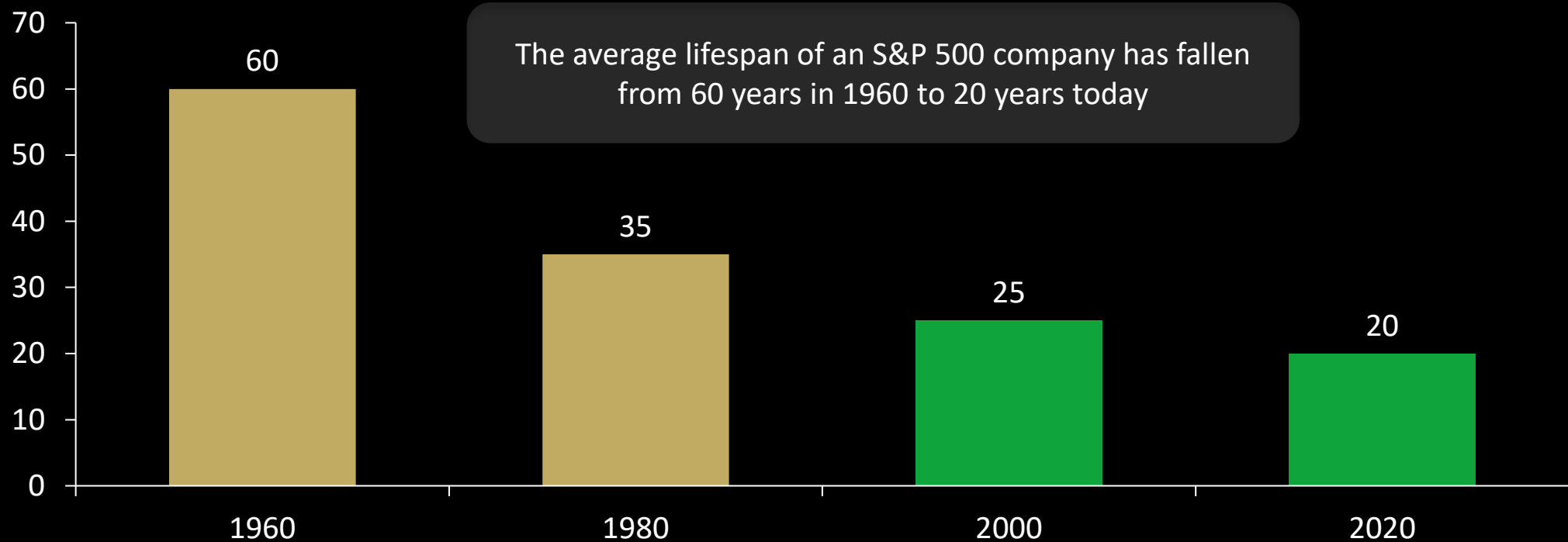
Major new product adoption speeds are accelerating



More **Innovation** plus faster **Adoption** means more **Destruction**

“If you don’t innovate, you die”

Average lifespan in years of an S&P 500 company



Existing companies fade away much faster than ever before

More Innovation plus higher **Adoption** means more **Destruction**

Liontrust Global Innovation Approach

James Dowe and Storm Uru

Liontrust Global Innovation Fund

versus MSCI All Country-World and IA Global

Liontrust Global Dividend Fund

versus MSCI World and IA Global Equity Income



- Managed Global Dividend Fund since 1st August 2017 & Global Innovation Fund since 1st July 2019
- Combined fund size of £640 million
- 30 – 45 holdings per fund

Liontrust Global Innovation Approach



Global Innovation Approach



Capital Growth

Disruptors

Income & Capital Growth

Leaders

Agenda



Why invest Innovation?



How we invest in Innovation



What the Funds look like and Outlook

Why invest in Innovation?



Why invest in innovation?

Innovation is the **most important driver of stock returns**



Strong returns

**Innovative companies
have higher average returns¹**



Core

**More than tech
– all sectors**

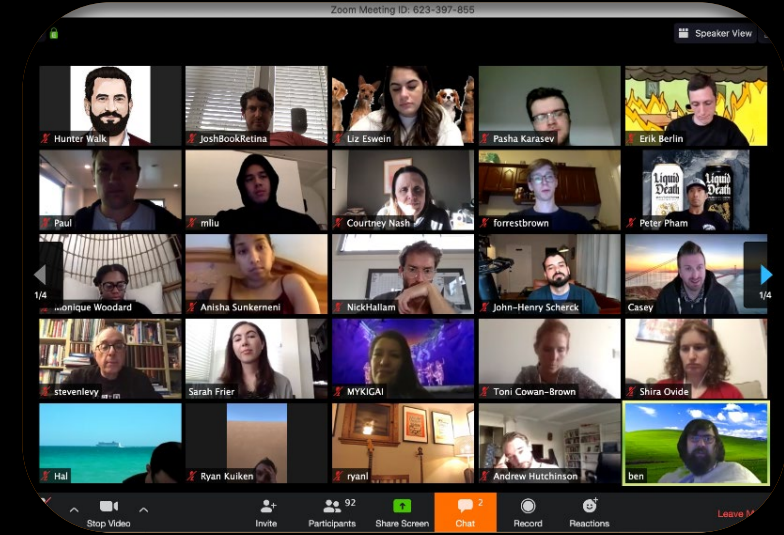


Differentiated

**Low crossover with
major peers**

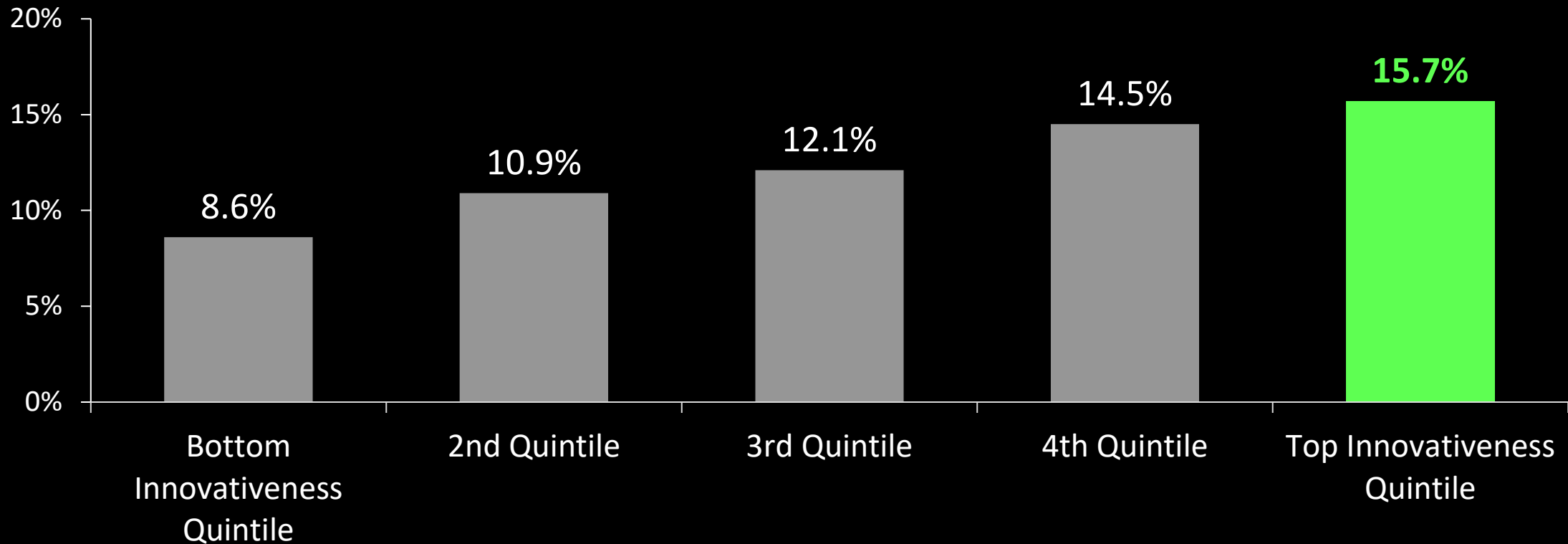
Pandemic innovators hugely volatile in past 2 years

Extraordinary volatility of Pureplay Pandemic Innovators in past 2 years



Innovative companies have higher long-term stock returns

Global Annualised Stock Returns 1981-2018 by Innovativeness Quintile
(Innovativeness=R&D/market cap)

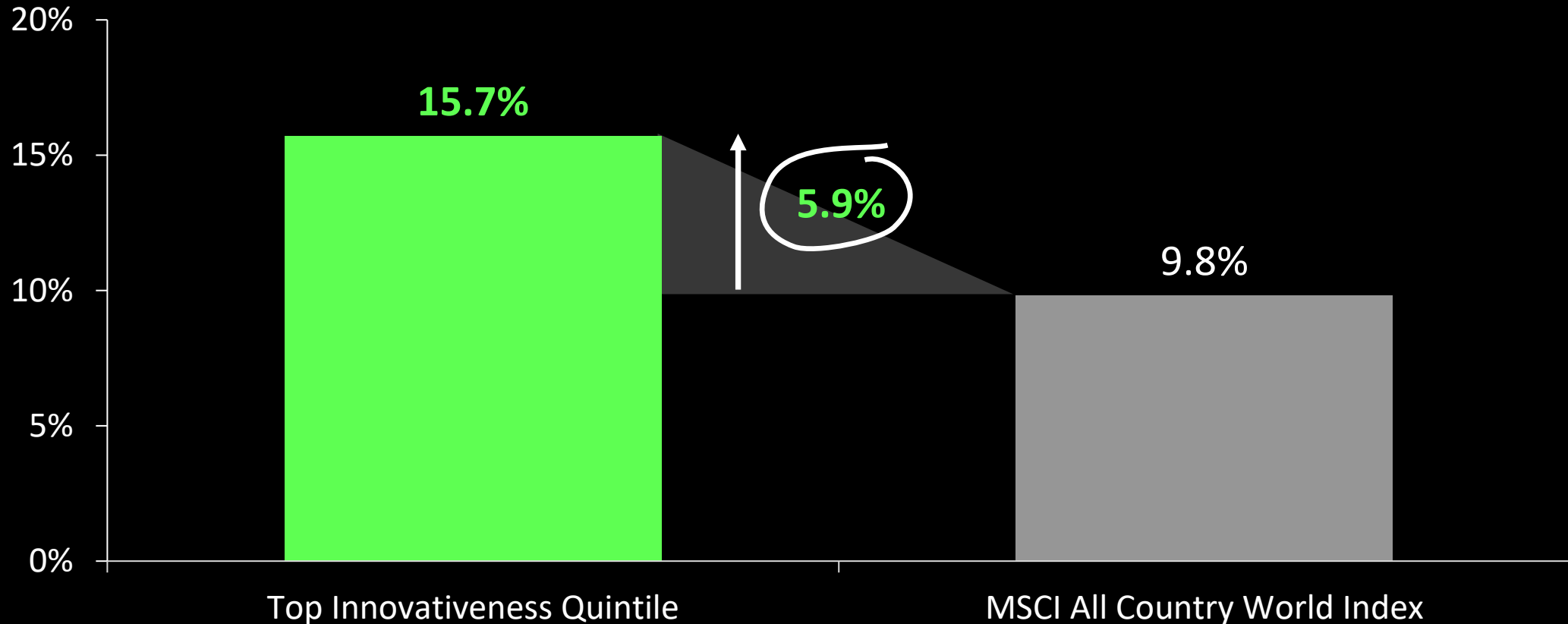


Source: Kewei Hou, Po-Hsuan Hsu, Shiheng Wang, Akiko Watanabe and Yan Xu (2021) "Corporate R&D and Stock Returns: International Evidence", Journal of Financial and Quantitative Analysis. Results based on 418,067 firm-year observations for 21 DM and EM countries, July 1981-June 2018. Quintiles are globally pooled, value-weighted and rebalanced annually at end-June. 1981-1987: MSCI World (total gross return, local currency), 1987-2018: MSCI All Country World (total gross return, local currency)

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed.
You may get back less than you originally invested. Please refer to the Key Risks slide for more information

Innovative companies have higher long-term stock returns

Global Annualised Stock Returns 1981-2018
Top Innovativeness Quintile vs MSCI All Country World Index



Source: Kewei Hou, Po-Hsuan Hsu, Shiheng Wang, Akiko Watanabe and Yan Xu (2021) "Corporate R&D and Stock Returns: International Evidence", Journal of Financial and Quantitative Analysis. Results based on 418,067 firm-year observations for 21 DM and EM countries, July 1981-June 2018. Quintiles are globally pooled, value-weighted and rebalanced annually at end-June. 1981-1987: MSCI World (total gross return, local currency), 1987-2018: MSCI All Country World (total gross return, local currency)

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Innovative companies' higher long-term stock returns were not due to...



Sectors



Countries



Multiple expansion

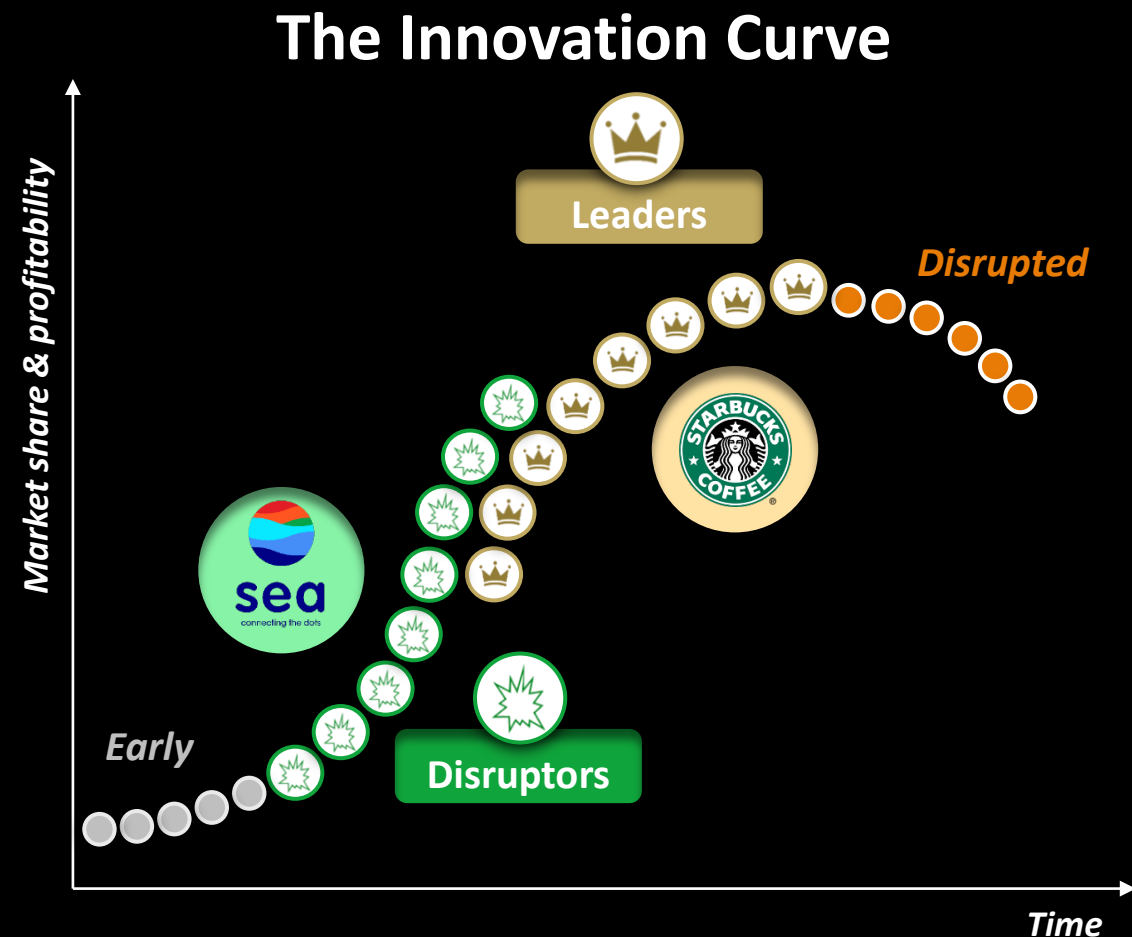


How we invest in Innovation



Liontrust Global Innovation Approach

Two types of Innovators



How we invest in innovation

Not every innovation is a great investment



Create Value



Capture Value



Execute



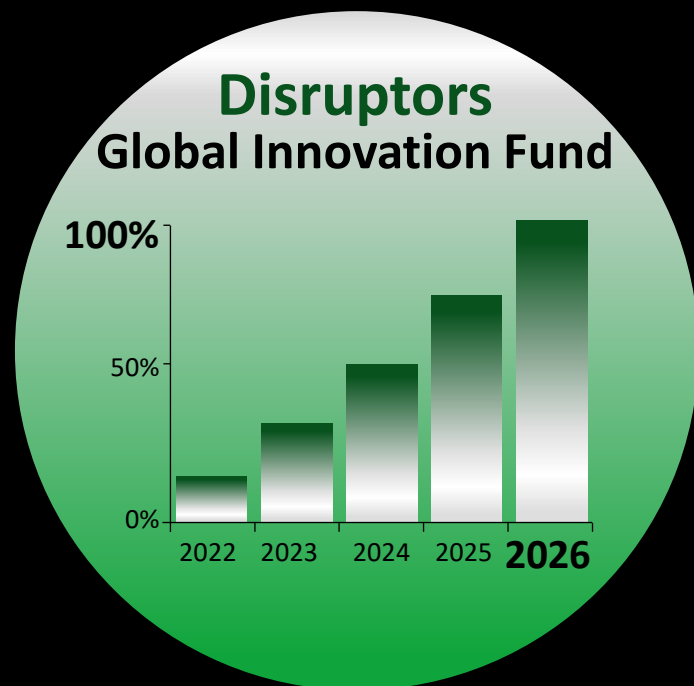
Evidence



4 characteristics every stock needs to make the Innovation 200 Watchlist

How we invest in innovation

Valuation – Hurdle rates



Capital Growth

Hurdle: **>100%** return over **5 years**



Income & Capital Growth

Hurdle: **>50%** return over **3 years**

Planet Fitness

No-frills gym disruptor

A Planet Fitness gym – the *Aldi* of American gyms





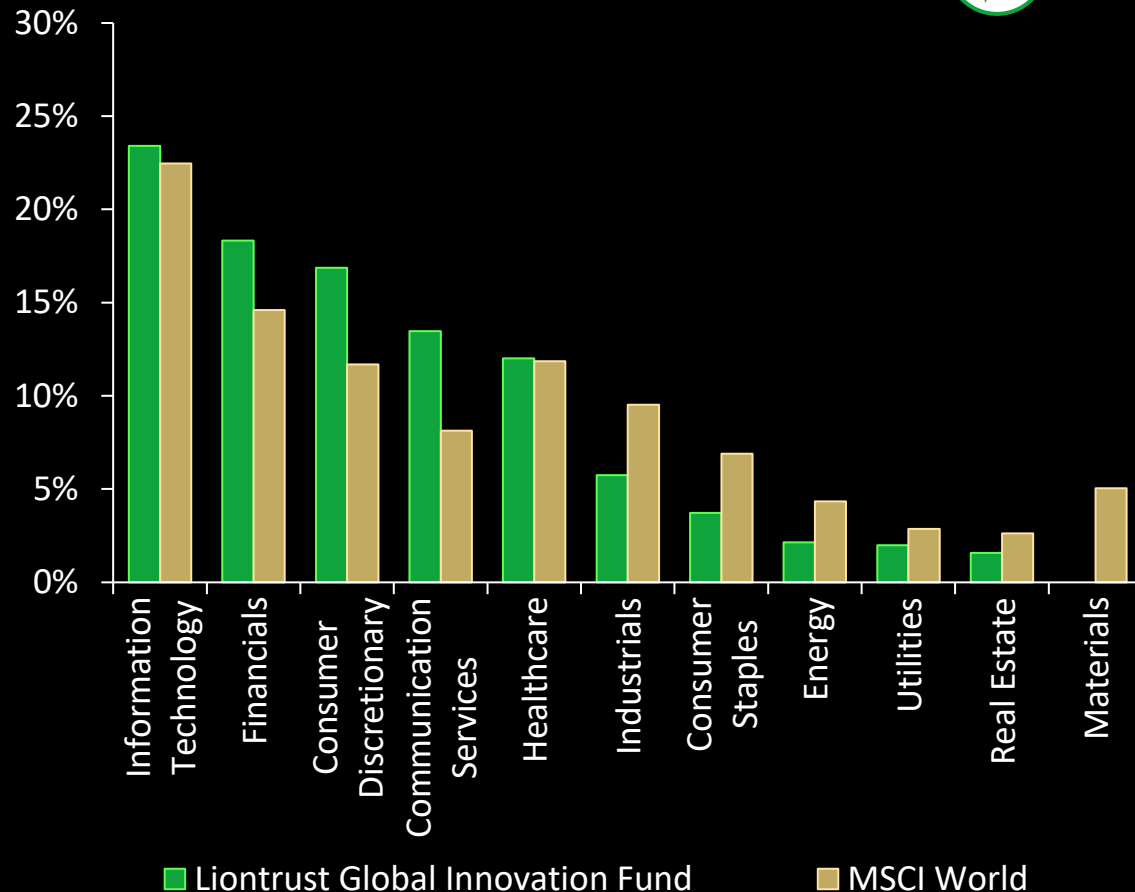
What the Funds look like



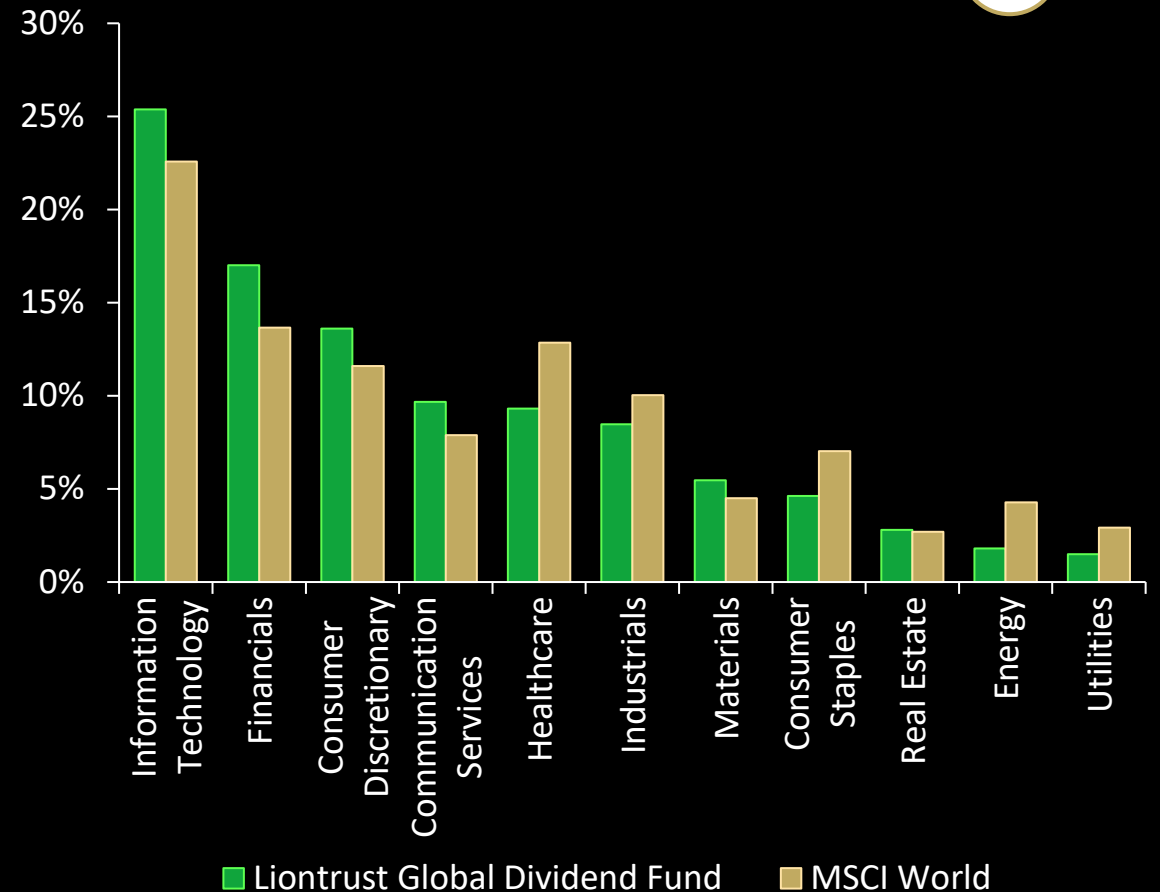
What the funds look like

Innovation not tech, invested across sectors

Liontrust Global Innovation



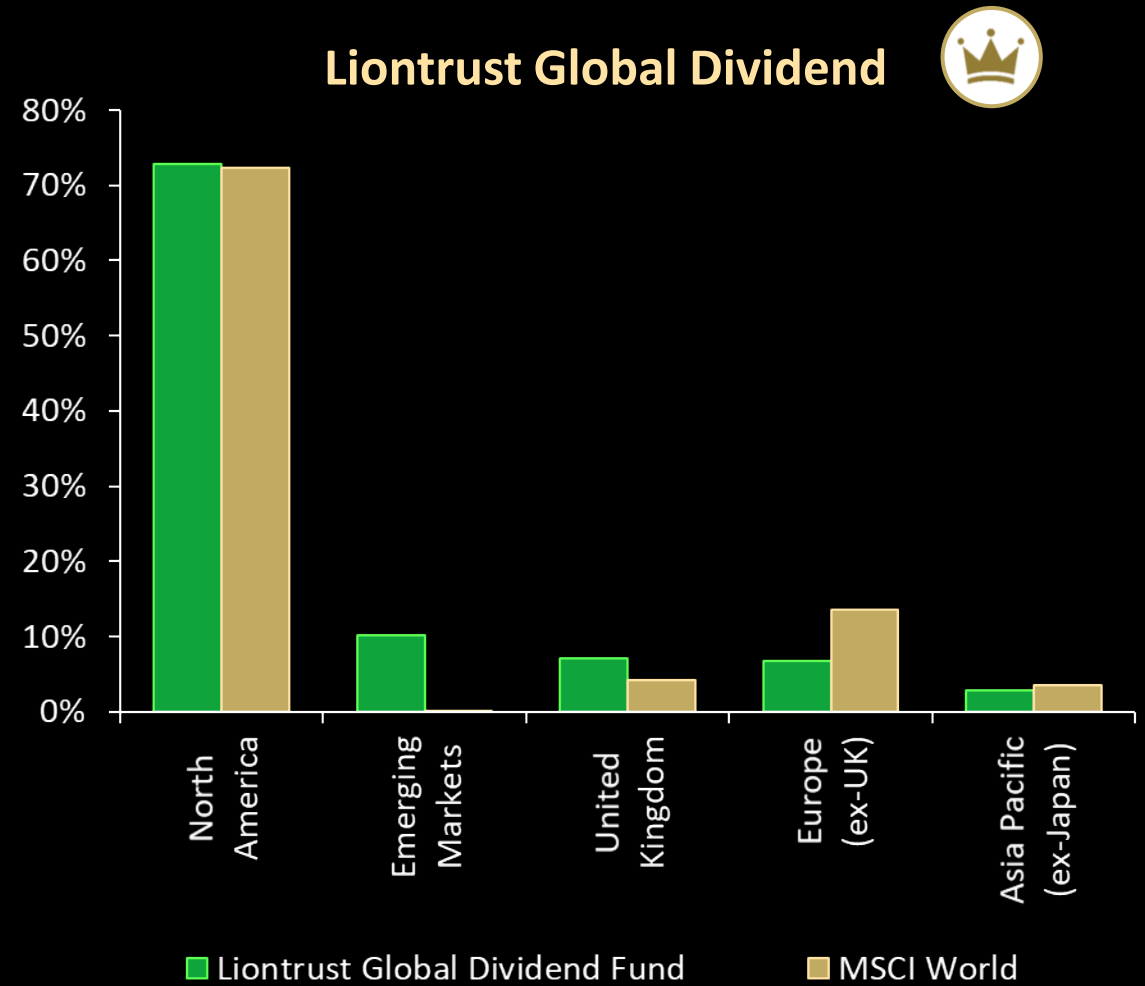
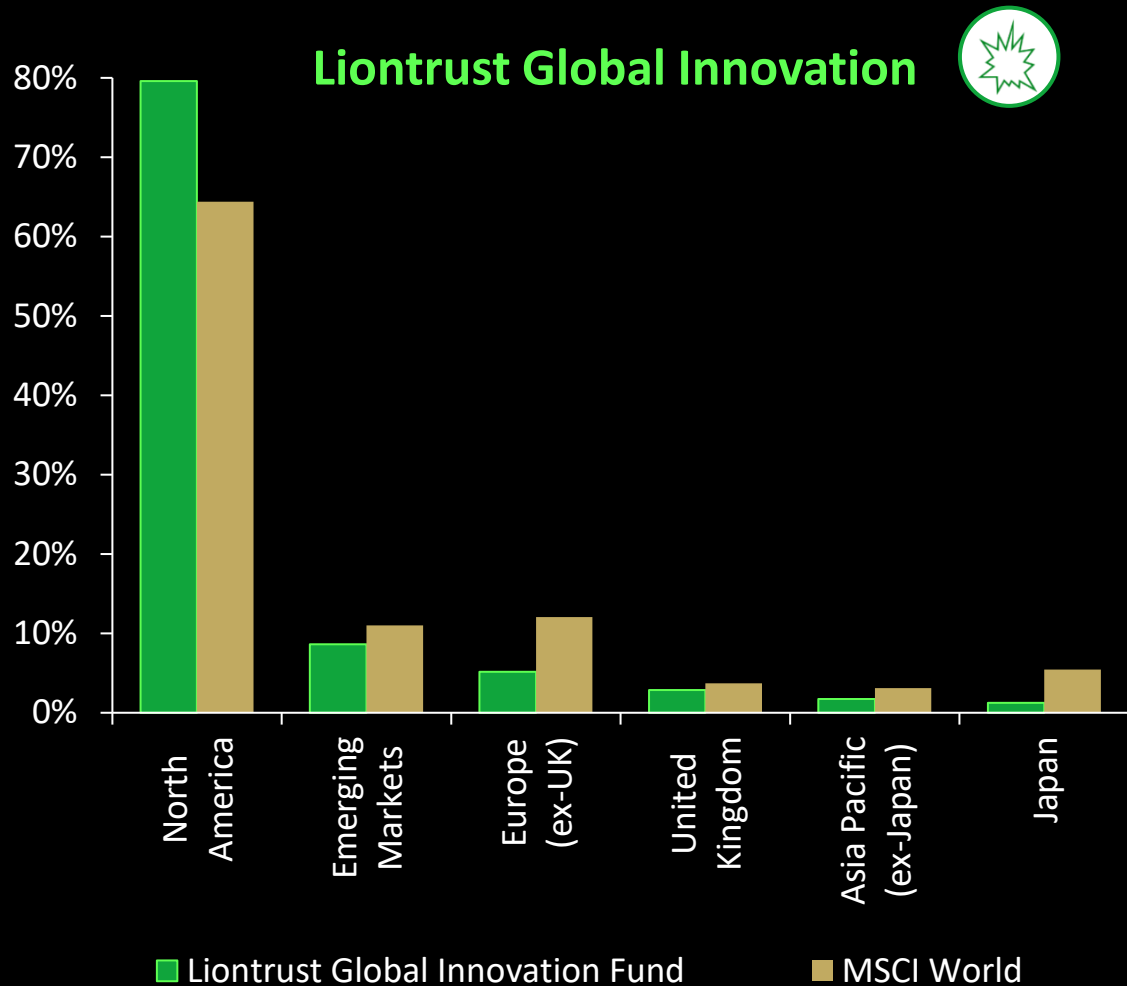
Liontrust Global Dividend



Source: Factset, as at 31.03.22, excluding Cash and Other. Liontrust Global Innovation Fund versus MSCI All-Country World which is one of the comparator benchmarks for this fund.
 Liontrust Global Dividend Fund versus MSCI World which is one of the comparator benchmarks for this fund

What the funds look like

Geographic allocation




Source: Factset, as at 31.03.22, excluding Cash and Other. Liontrust Global Innovation Fund versus MSCI All-Country World which is one of the comparator benchmarks for this fund.
 Liontrust Global Dividend Fund versus MSCI World which is one of the comparator benchmarks for this fund

What the funds look like

Top 10 holdings – differentiated to peers










Liontrust Global Innovation



Top 10 holdings		Weight
Costco		3.7%
UnitedHealth		3.5%
NVIDIA		3.4%
Tradeweb		3.4%
Danaher		3.3%
Topicus		3.3%
Planet Fitness		3.2%
Lululemon		3.2%
American Express		3.2%
Walt Disney		2.9%

Liontrust Global Dividend

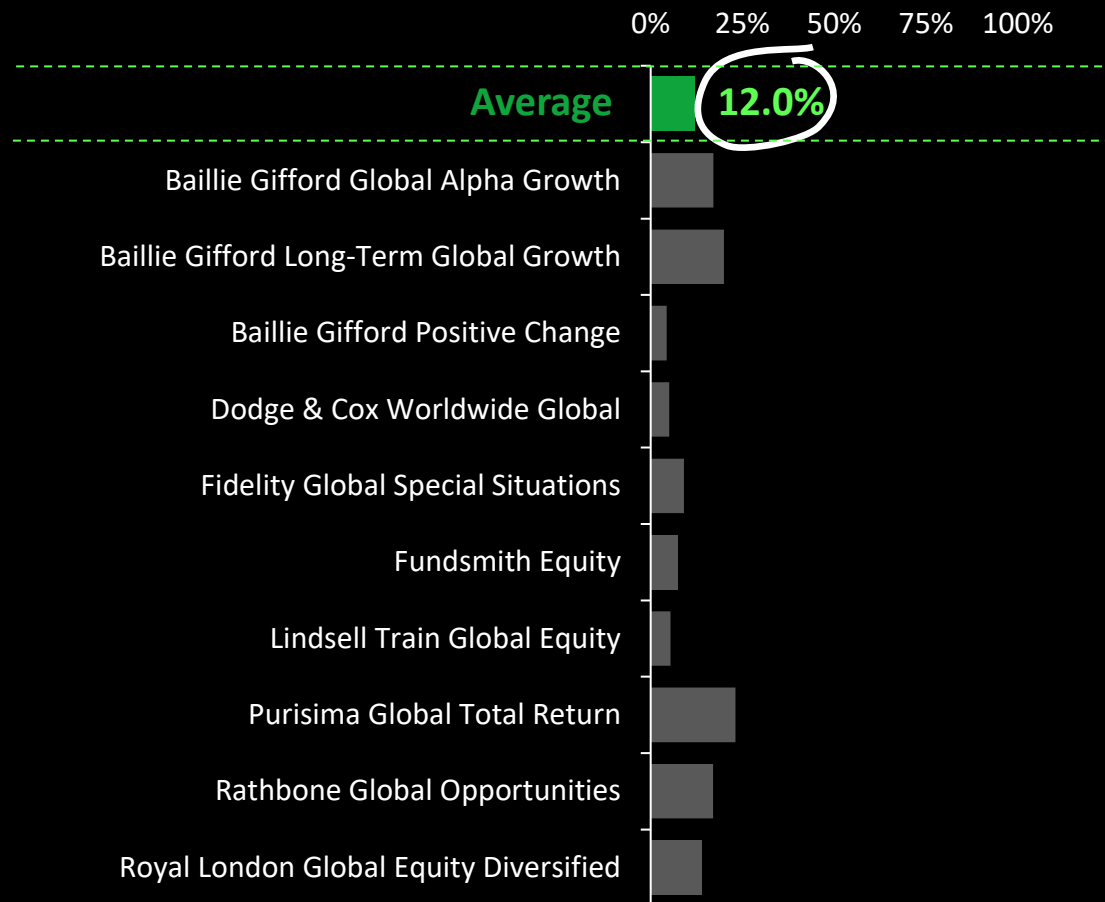


Top 10 holdings		Weight
Danaher		3.4%
Intuit		3.3%
Starbucks		3.3%
American Express		3.3%
Stryker		3.3%
Visa		3.2%
Roper Technologies		3.2%
Morgan Stanley	Morgan Stanley	3.1%
Sherwin Williams		3.0%
Constellation Software		3.0%

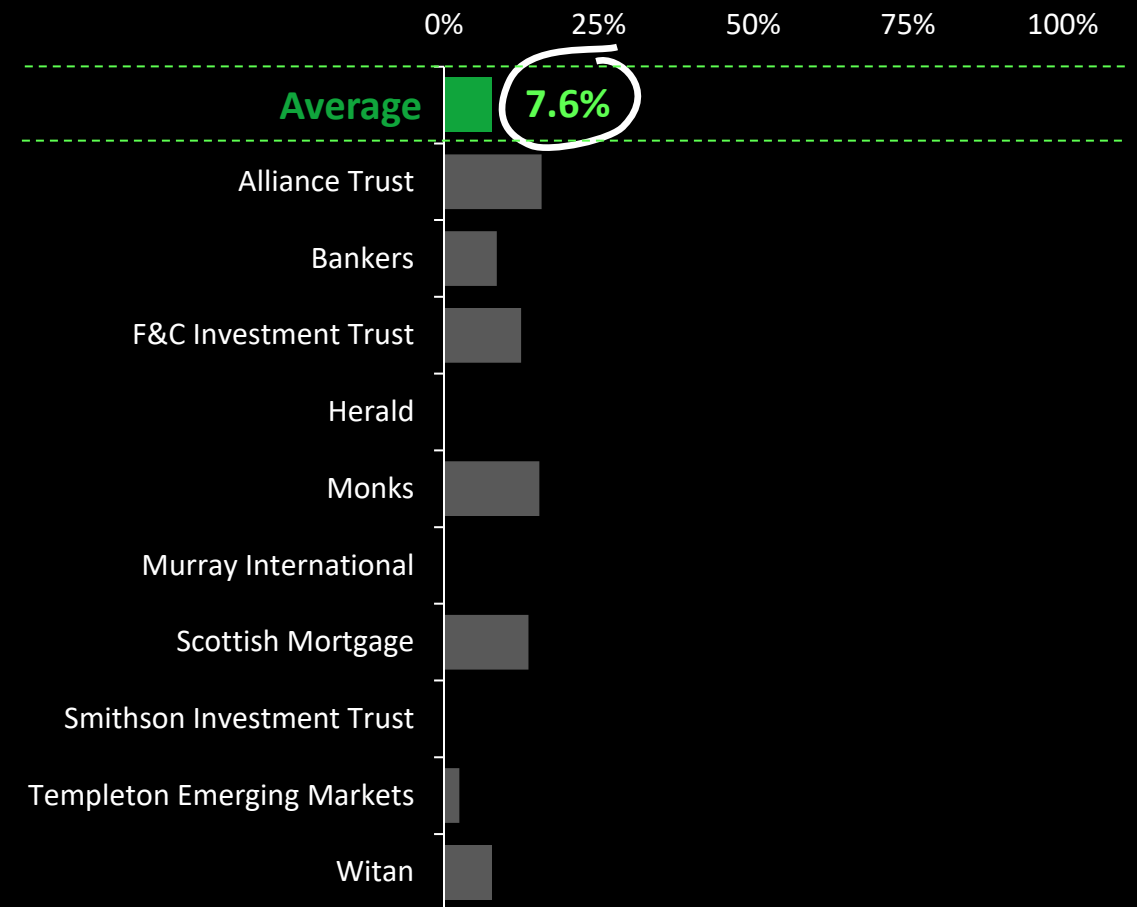
Liontrust Global Innovation

Differentiated to peers

Portfolio crossover with IA Global Funds



Portfolio crossover with largest Global Investment Trusts

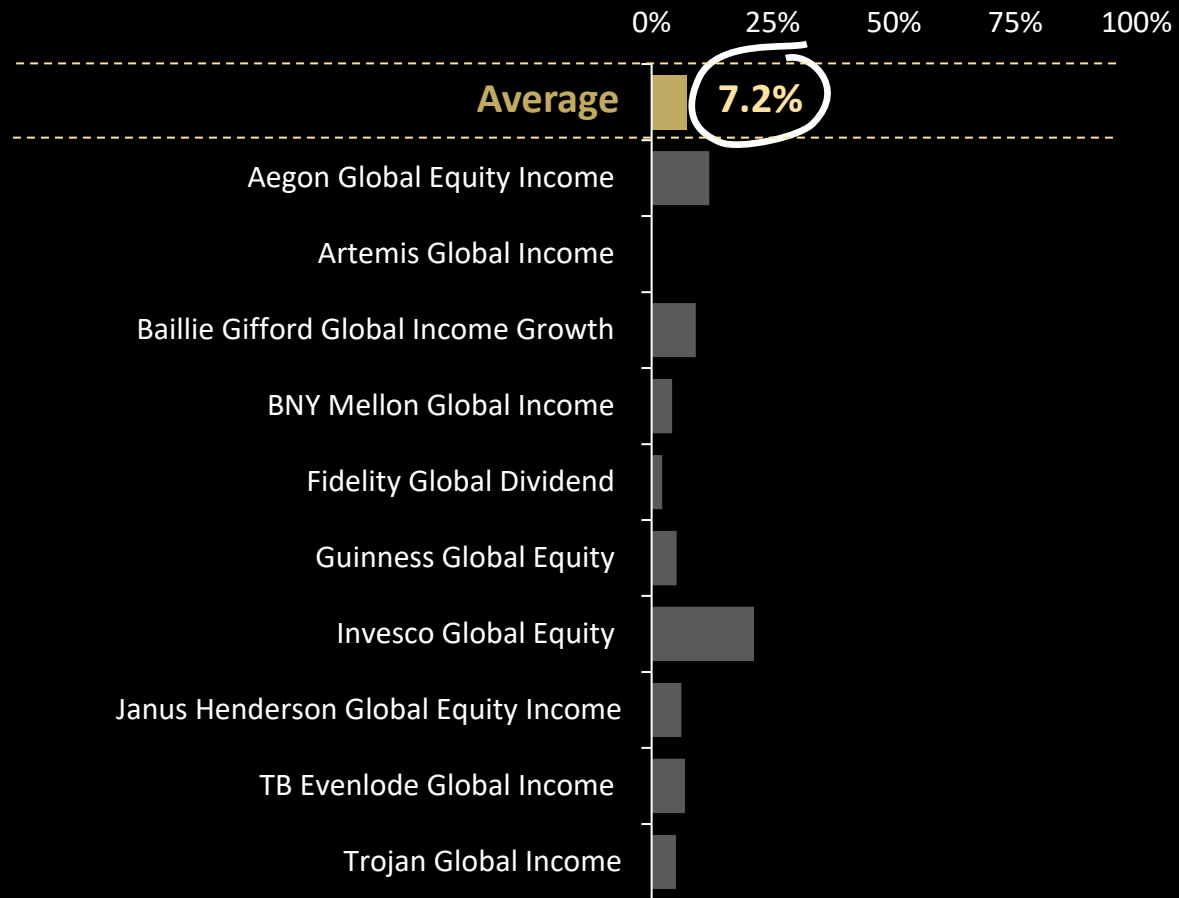


Source: Morningstar, most recent available portfolio as at 31.01.22. The competitor funds chosen for analysis have been selected in accordance with our internal policy; for standard packs this typically looks at the Top 10 funds by AUM in the sector (excluding Trackers and funds under 5 years old), among other specific factors. This will vary for client specific packs where individual fund comparisons may be requested/shown. Please contact us for more information if required

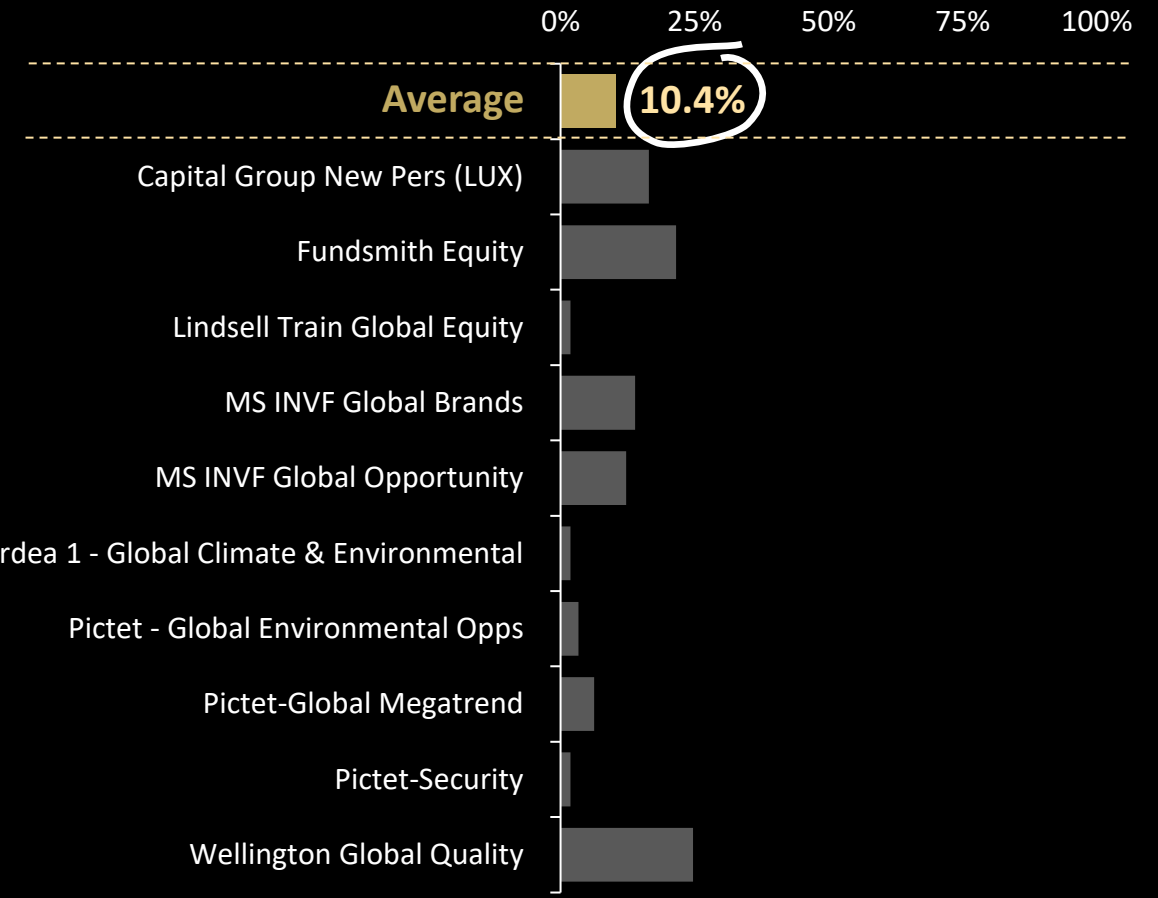
Liontrust Global Dividend

Differentiated to peers

Portfolio crossover with IA Global Equity Income Funds



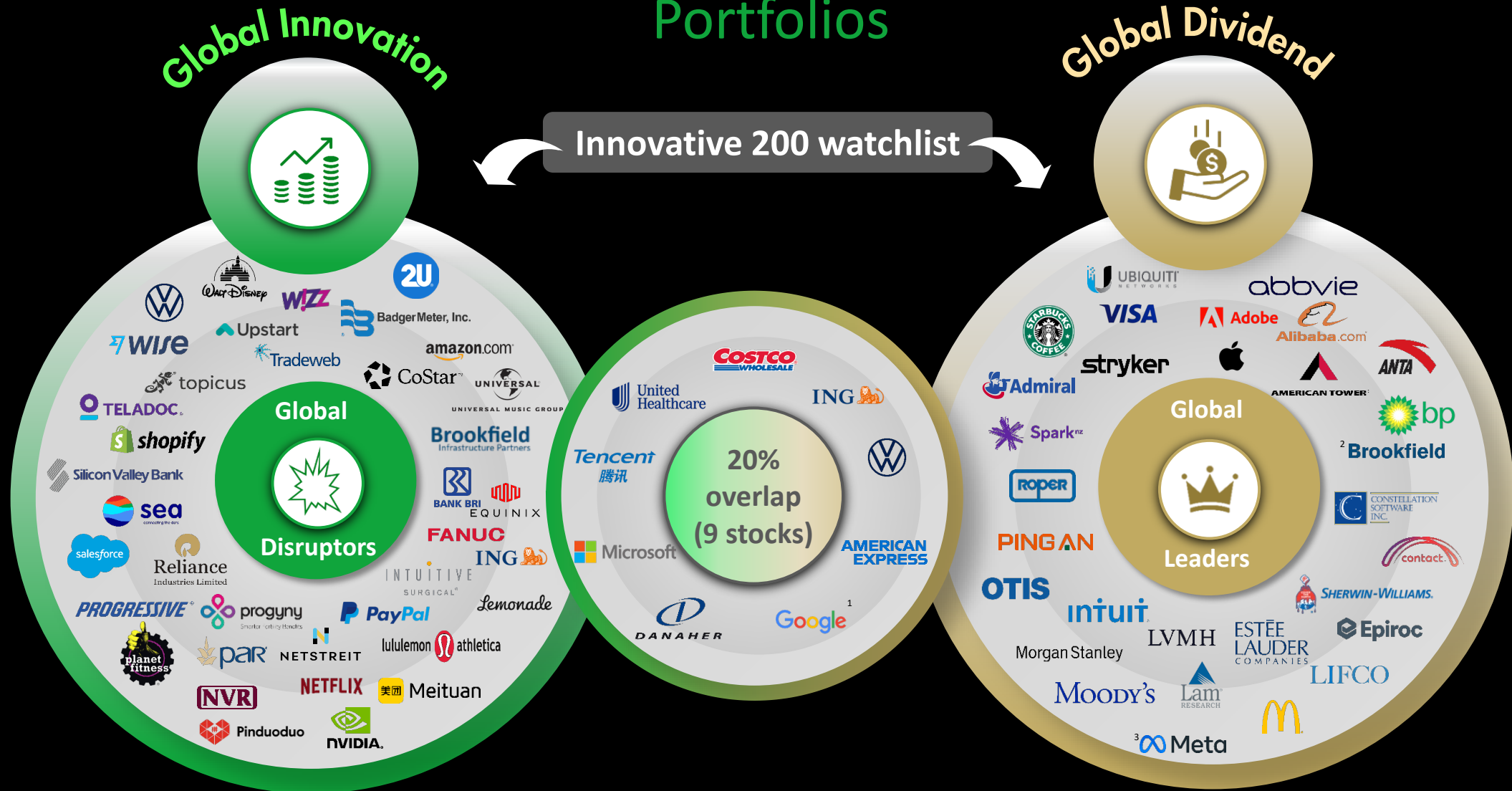
Portfolio crossover with largest IA Global Funds



Source: Morningstar, most recent available portfolio as at 06.01.22. The competitor funds chosen for analysis have been selected in accordance with our internal policy; for standard packs this typically looks at the Top 10 funds by AUM in the sector (excluding Trackers and funds under 5 years old), among other specific factors. This will vary for client specific packs where individual fund comparisons may be requested/shown. Please contact us for more information if required

What the funds look like

Portfolios



Earnings Q4 2021 (US inflation 9%, UK 8.5%)

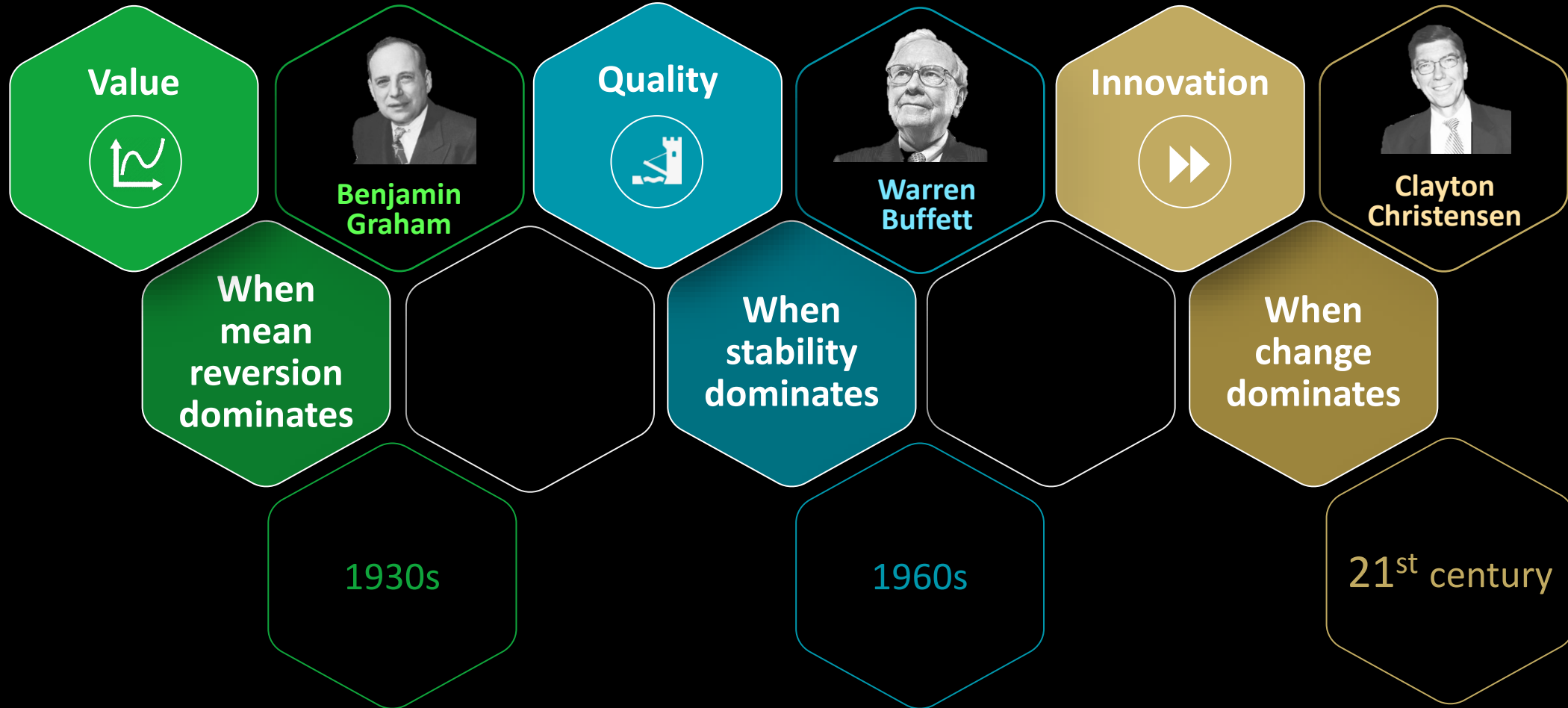
What our 76 companies told us



Notes: ¹Meta (formerly known as Facebook); ²Alphabet (formerly known as Google). All use of company logos, images or trademarks in this presentation are for reference purposes only












Summary

Where does Innovation fit?





Third pillar of a balanced portfolio

Awards and Ratings

Liontrust 1, 2, 3, 4, 5, 6	     
Global Dividend Fund 7, 8, 9	  
Global Innovation Fund 8, 10	 

Fund Manager ratings

James Dowey	+ rated by Citywire for their risk-adjusted performance from 31.03.19 to 31.03.22	
Storm Uru	+ rated by Citywire for their risk-adjusted performance from 31.03.19 to 31.03.22	

Notes: Liontrust awards: 1. FT Adviser 100 Club Awards 2019 and 2020 – Small to Mid Investment Group of the Year. 2. Professional Paraplanner Awards 2020 – Best Active Investment Solution Provider, 3. Investment Week Fund Manager of the Year Awards 2021 – Global Group of the Year, 4. Shares Magazine Awards – Fund Group of the Year Award, 5. Financial News – Asset Manager of the Year, 6. Professional Pensions Investment Awards 2021 – UK Equity Manager of the Year
 Fund specific: 7. Morningstar Rating, 8. FE Crown Rating, 9. Investment Week Fund Manager of the Year Awards 2021 – Global Income, 10. Rayner Spencer Mills Rated Fund

Key risks

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Investment in funds managed by the Global Equity (GE) team may involve investment in smaller companies – these stocks may be less liquid and the price swings greater than those in, for example, larger companies.

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Citywire. Based on the manager's three year risk-adjusted performance Storm Uru and James Dowey have a Citywire (+) Fund Manager Rating for the period .

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