Fund Review

10th September 2020

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INVESTMENT SERVICES

The value versus growth conundrum is very much a hot topic at the moment and one which is raised by most fund managers we speak to. Technology funds are the posterchildren for this debate and numerous commentators have pointed to the fact that Apple's market capitalisation is now larger than that of the entire FTSE 100 index.

Two examples from funds within the Academy of Funds which share both a growth bias and an exposure to the technology sector which have experienced mixed fortunes this year, relative to their respective indices.

The first of these, the Natixis Loomis Sayles US Equities Leaders fund, is beginning to lag its benchmark index. It offers a concentrated portfolio of leading US companies and has a sizeable exposure to the hot areas of the market with Amazon, Microsoft and Facebook all within its top ten holdings. Despite the fact that over this year to the end of August the fund has returned something in the region of 24% - three times more than the S&P 500 over the same period – even this fund is now struggling to keep pace with US growth indices such as the Russell 1,000 Growth index.

The second example, the Liontrust Special Situations fund, is focussed on UK equities and the UK market has clearly been hard hit by the Covid-19 pandemic. It seeks to invest in leading companies that are highly cash generative and as a result it tends to avoid the more cyclically sensitive areas of the market, such as mining and energy, and sectors where regulation can inhibit profitability, such as banks and utilities. Nonetheless the managers invest in a range of companies across the market capitalisation spectrum. Importantly they have successfully identified a number of early stage companies, particularly in the technology sector which makes up a very small part of the UK market. Despite its technology exposure, the fund has returned a negative absolute return this year but its focus on balance sheet strength means it has held up far better than the market during the first quarter of this year, while its orientation towards growth stocks means it has comfortably outperformed the FTSE All Share over the period since.

John Monaghan, Head of Research