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Liontrust GF European Smaller Companies Fund

July 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A3 share class returned 8.3%* in euro terms in July. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned 9.8%.

Although it seems increasingly likely that current supply-side shocks will see many economies flirt with recession in the near future, an equity market bounce in July suggests that much of these economic fears were already priced in.

Eurozone GDP growth hit 0.7% in Q2, much stronger than the 0.1% economist consensus due to a bigger than anticipated boost from tourism. But Eurostat forecasts 2023 growth will fall to 1.2% from 2.7% in 2022, while several economists think it will enter recession at the turn of the year.

In July, the European Central Bank belatedly joined other central banks in implementing its rate tightening cycle. Ahead of the decision, there had been some speculation over whether the bank would raise rates by 25 basis points (bps) or opt for a 50 basis point hike. It chose the latter, following the US Federal Reserve and Bank of England's lead in pursuing an aggressive pace of increases.

As European markets rebounded from heavy year-to-date losses, it was cyclical sectors that lead the way. IT (+16%), industrials (+14%) real estate (+13%) and consumer discretionary (+12%) posted the highest returns in the MSCI Europe Index.

Financials (+3.7%) would typically be expected to participate in cyclical strength, but its July performance was hindered by the impact of a new Spanish windfall tax announced during the month. The Spanish prime minister declared a two-year windfall tax on financial institutions and energy firms to raise about €3.5bn a year to help combat the cost-of-living crisis. Stocks such as Banco Santander and Caixabank fell on the news. **Bankinter** (-19%) is the only Fund holding affected.

Promotional merchandise supplier **4imprint Group** (+41%) jumped on a very positive trading update. It commented that strong trading momentum has continued since its May update, with total order counts at the half year stage 14% ahead of the 2019 pre-pandemic level. Average order values were also 14% higher, meaning that overall revenue is running 30% ahead of the 2019 comparable. 4imprint is confident that it will meet or exceed its \$1bn revenue target for 2022, while it now expects to materially exceed the consensus operating profit forecast, committing to achieving at least \$75m.

Atoss Software (+27%) didn't upgrade its 2022 forecasts in a interim trading statment, but the update was sufficiently upbeat to push it towards the top of a bouyant European IT sector in July. Revenues rose 17% to €54m while operating profit margins were maintained at 26%. The workforce management software provider reaffirmed its 2022 targets of €110m in revenue and a 25% margin.

Positive contributors to performance included:

4imprint Group (+41%), Atoss Software (+27%) and Pandora (+20%).

Negative contributors to performance included:

Bankinter (-19%), Bank of Ireland (-7.5%) and Freenet (-2.9%).

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

Past performance does not predict future returns

	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Liontrust GF European Smaller Companies A3 Acc EUR	-9.9%	59.6%	-10.7%	-2.4%	2.3%
MSCI Europe Small Cap	-17.7%	43.1%	-4.1%	-4.4%	9.8%

*Source: Financial Express, as at 31.07.22, total return (net of fees and income reinvested).

**Source: Financial Express, as at 30.06.22, total return (net of fees and income reinvested). Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (01.02.17). Investment decisions should not be based on short-term performance.

A Performance Fee for each Performance Period shall be equal to 10% of the amount, if any, by which the Net Asset Value before Performance Fee accrual of the Fund exceeds the Indexed Net Asset Value of the Fund on the last Business Day of the Performance Period. The Performance Period of the Fund is every 12 months ending on the last business day of each calendar year. Details of the Fund's performance fee in the last financial year can be found in the Key Investor Information Document (KIID) which can be obtained free of charge from the Liontrust website.

Key Features of the Liontrust GF European Smaller Companies Fund

Investment objective & policy ¹	The investment objective of the Fund is to achieve long term capital growth by investing primarily in European smaller companies. The Fund may invest in all economic sectors in all parts of the world, although it is intended it will invest primarily in equities and equity related derivatives (i.e. total return swaps, futures and embedded derivatives) in European companies (including the UK and Switzerland). The majority of the assets of the Fund (more than 85%) are expected to be invested in smaller companies (with a market capitalisation of less than 5 billion euros at the time of the initial investment). In normal conditions, the Fund will aim to hold a
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	diversified portfolio, although at times the Investment Adviser may decide to hold a more concentrated portfolio, and it is possible that a substantial portion of the Fund could be invested in cash or cash equivalents. The Fund may use FX forwards to hedge the Fund's currency exposures. The Fund has both Hedged and Unhedged share classes available. The Hedged share classes use forward foreign exchange contracts to protect returns in the base currency of the Fund.
Recommended investment horizon	5 years or more
Risk profile (SRRRI) ²	6
Active/passive investment style	Active
Benchmark	The Fund is considered to be actively managed in reference to MSCI Europe Small -Cap Index net total return (the "Benchmark") by virtue of the fact that it seeks to outperform the Benchmark. However the Benchmark is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the Benchmark.

Notes: 1. As specified in the KIID of the fund; 2. SRRRI = Synthetic Risk and Reward Indicator. Please refer to the KIID for further detail on how this is calculated.

For a comprehensive list of common financial words and terms, see our glossary at:

<https://www.liontrust.co.uk/glossary>.

Key Risks:

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.

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.

The portfolio is invested in smaller companies - these stocks may be less liquid and the price swings greater than those in, for example, larger companies. Investment in the Fund involves a foreign currency and may be subject to fluctuations in value due to movements in exchange rates.

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