



## Liontrust UK Growth Fund

### July 2022 review

Fund managers: Anthony Cross and Julian Fosh

**The Liontrust UK Growth Fund returned 4.8%\* in July. The FTSE All-Share Index comparator benchmark returned 4.4% and the average return in the IA UK All Companies sector, also a comparator benchmark, was 5.8%.**

Following the worst monthly return of 2022 in June, the UK market bounced back with its best showing so far this year. With little change to the main macroeconomic narrative of monetary policy tightening in the face of inflationary pressures, it's hard to pinpoint a reason for the shift. Many of last month's key trends reversed: the FTSE 250 (+8.3%) significantly outperformed the FTSE 100 (+4.4%) and industrials (+11.2%) moved from one of the heaviest fallers to July's best-performing sector.

Some of last month's biggest Fund fallers bounced back in July. Mining technology specialist **Weir Group** (+23%) was at the head of this group after releasing interims showing an 18% increase in revenues (on continuing operations) to £1.3bn and a 14% increase in orders to £1.3bn. High commodity prices have contributed to a 23% increase in aftermarket orders, while its sustainable solutions have driven 18% growth in original equipment orders. The strength of trading in the first half has led Weir to predict full-year 2022 operating profit will be towards the upper range of the analysis forecast range.

Other holdings in the industrials sector to recover included **Renishaw** (+22%), **Coats Group** (+19%) and **Spirax-Sarco Engineering** (+21%). The latter announced the £226m acquisition of Vulcanic, a privately owned French company which is Europe's largest supplier bespoke industrial electric heating solutions. The deal complements Spirax-Sarco's specialisms in thermal energy management and niche pumping solutions.

This year so far has seen a de-rating of stocks with high expected growth profiles and commensurate 'expensive' conventional share valuations. Much of this trend, which has impacted the Fund, has been driven by shifts in investor sentiment in response to macroeconomic conditions rather than stock-specific newsflow. We have previously commented that, while many of our holdings acknowledge strengthening economic headwinds (such as cost inflation and falling consumer confidence), most have so far proven resilient in their underlying trading.

There were lots of company updates for us to digest in July, many of which were trading updates covering the first half of 2022. On the whole, these were supportive of our assessment that Fund holdings are showing good trading resilience amid a deteriorating economic environment.

Recruiter **PageGroup** (+15%) benefited from tight conditions in labour markets as a Q2 trading update outlined a 26% year-on-year increase in Q2 gross profit to £281m. Although it is wary of macroeconomic headwinds, it recorded its best-ever month in June, when gross profit exceeded £100m, so enters Q3 with good momentum.

Amid a small recovery in investors risk appetite, **BAE Systems** (-7.3%) and **GSK** (-3.3%) shares traded lower although their respective interim results and Q2 update were, at worst, in-line with expectations. GSK in fact upgraded its 2022 target ranges for sales growth (from 5% - 7% to 6% - 8%) and adjusted operating profits (12% - 14% to 13% - 15%). Interims from **British American Tobacco** (-7.0%) were more of a mixed bag, as reported profits were hit by an impairment of Russian assets of nearly £1bn and a charge of £450m taken in relation to historical sanction breaches. In terms of top-line trends, it has maintained guidance for 2022 constant-currency revenue growth of 2% - 4%, with further growth in its 'new categories' such as non-combustibles.

The Fund received shares in **Haleon**, **GSK's** consumer healthcare business which was spun-out during the month.

**Positive contributors included:**

Weir Group (+23%), Spirax-Sarco Engineering (+21%), Coats Group (+19%), Savills (+18%) and Halma (+15%).

**Negative contributors included:**

Moonpig Group (-8.0%), BAE Systems (-7.3%), British American Tobacco (-7.0%), Haleon (-5.4%) and GSK (-3.3%).

**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 UK Growth I Inc	1.7%	18.0%	-10.2%	2.9%	11.4%
FTSE All Share	1.6%	21.5%	-13.0%	0.6%	9.0%
IA UK All Companies	-8.5%	27.7%	-11.0%	-2.2%	9.1%
Quartile	1	4	2	1	2

\*Source: Financial Express, as at 31.07.22, total return (net of fees and income reinvested), bid-to-bid, institutional class.

\*\*Source: Financial Express, as at 30.06.22, total return (net of fees and income reinvested), bid-to-bid, primary class.

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.

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