



This is a marketing communication

Liontrust GF European Smaller Companies Fund

August 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A3 share class returned -6.1%* in euro terms in August. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -6.9%.

July's market bounce proved short-lived as the very challenging economic backdrop showed signs of deteriorating further. With energy prices ramping up significantly during the month, inflation concerns made a swift and sharp return to the foreground for investors and prompted another bout of risk-off behaviour.

The eurozone estimate of August consumer price inflation rose to 9.1%, ahead of both last month's reading and expectations, with the lagged effect of energy price rises still to feed through. Governments across the continent have moved to provide varying degrees of support to households and businesses facing the unprecedented rise in energy bills.

Under the expectation of renewed hawkishness in the pace of monetary tightening, futures markets priced in an additional 100 basis points of ECB rate hikes, with a 2023 peak moving from around 1.1% to over 2.2% during the month. The German 10 year bond yield nearly doubled over the month to 1.54%.

The equity market sell-off was heavier further down the market cap scale; while the MSCI Europe large-cap index returned -4.5%, the mid-cap and small-cap equivalents returned -6.7% and -6.9% respectively.

European gas prices rose more than 20% in August, taking their year-to-date surge to around 250% as Russia restricts supplies. As a result, most companies in Europe are facing dual headwinds of rampant input cost inflation and softening consumer confidence. Amid this environment, consumer-facing stocks such as Danish jewellery retailer **Pandora** (-14%) have performed poorly. So far, however, its underlying trading has proven relatively resilient. Although organic revenue growth slowed to 3% year-on-year in Q2, it still amounted to 11% in the first half of 2022, and the company has maintained its full-year guidance of a 4% to 6% growth.

Shares in **4imprint Group** (+17%) had already rallied strongly in July on the back of a trading update that upgraded full-year profit guidance, and they made more gains after releasing results for the first half of the year. While its management team cautioned that geopolitical and economic factors could still hamper growth, very good trends in the last six months and a solid start to the second half of the year led investors to lift their expectations. The promotional merchandise specialist has recorded a 58% rise in revenue as customer numbers and order count rose to new highs.

Bank of Ireland's (+14%) interim operating income was marginally lower than expected, dropping slightly from last year's level to €1.39bn in the first six months of 2022. However, the bank's outlook for net interest income was more upbeat than had been anticipated. It now expects "modestly higher net interest income" for 2022, as the income line's gearing to higher interest feeds through.

Positive contributors to performance included:

4imprint Group (+17%), Bank of Ireland (+10%), Bankinter (+6.2%)

Negative contributors to performance included:

Vistry Group (-19%), Pandora (-17%) and Indivior (-13%).

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 31.08.22, 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

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| 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 diversified portfolio, although at times the Investment Adviser may decide to hold a more concentrated portfolio, and it is possible that a |
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| | 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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