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Liontrust GF European Smaller Companies Fund

May 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A3 share class returned -0.8%* in euro terms in May. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -2.6%.

Investors were unsettled by the impending deadline to extend the US debt limit and avoid default. While this was eventually achieved in a last minute deal in the early days of June, it weighed on sentiment throughout May.

Interest rate expectations in Europe stayed relatively static, with around two more 25 basis point increases expected in addition to May's hike to a 3.25% target deposit rate. The US Federal Reserve raised by the same margin, to a 5.0% - 5.25% range, and – by referring to a pause at this level – teased the prospect of a peak in rates, a prospect which is already fully priced into markets.

This macroeconomic backdrop translated to fairly broad-based equity market weakness in Europe, with real estate (-9.1%), energy (-8.5%) and communication services (-6.7%) the heaviest fallers. A notable bright spot was provided by IT (+8.5%), the only sector of the MSCI Europe Index to record a gain in May, driven higher by AI excitement as investors reacted to a remarkably bullish update from US chipmaker Nvidia.

Nvidia recorded the largest one-day share price gain ever in the US after forecasting \$11bn in sales for the current quarter, around 50% ahead of analyst's expectations. The company cited exponential growth from a number of industries looking to increase computing processing power as they explore AI productivity gains. While Nvidia's semiconductor chips are seen as one of the purest plays on growing AI demand, positive read-across from the update lifted shares across the technology sector.

Within the Fund, digital workforce management specialist **ATOSS Software** (+14%) was the biggest beneficiary, rallying significantly without issuing any notable corporate updates.

Elsewhere within the portfolio **Norwegian Air Shuttle** (+25%) rose after announcing Q1 results. It flew 3.8m passengers in Q1, up from 2.2m a year earlier but down from 4.6m in the prior quarter as it reduced flights to match seasonally lower demand. As with last year, the company made a heavy Q1 operating loss (Nkr916m) but expects to recoup this during the rest of the year. In this regard, outlook comments were very positive; it described current booking numbers as encouraging and expects one of the strongest summers in the company's history.

In an AGM statement, promotional products retailer **4imprint Group** (+11%) commented on very strong demand seen during the first four months of 2023, with order intake up 22% year-on-year. The company notes that this figure is enhanced by its comparison with an early 2022 period where demand was still suppressed by the pandemic, so it expects the growth rate to moderate. Nevertheless, investors were encouraged by the strength of trading, which 4imprint says is currently on track to meet consensus forecasts for full-year revenue and operating profit.

Jewellery retailer **Pandora** (-11%) was caught up in the May market weakness despite releasing Q1 results at the start of the month which slightly beat expectations and included a small upgrade to forecasts. Organic sales growth was 1% year-on-year, with gross margin expanding 1.5 percentage points to 77.5%. While it notes a high level of uncertainty regarding the macroeconomic environment, it slightly upgraded its full year organic growth guidance range from a -3% to +3% range to -2% to 3%.

Positive contributors to performance included:

Norwegian Air Shuttle (+25%), 4imprint Group (+11%) and ATOSS Software (+14%).

Negative contributors to performance included:

Pandora (-11%), Verallia (-9.2%), Ipsos (-6.9%).

Discrete years' performance (%), to previous quarter-end:*****Past performance does not predict future returns***

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust GF European Smaller Companies A3 Acc EUR	-2.6%	7.9%	70.2%	-21.6%	-2.3%
MSCI Europe Small Cap	-9.1%	1.9%	61.2%	-18.1%	-1.3%

	Mar-18
Liontrust GF European Smaller Companies A3 Acc EUR	1.2%
MSCI Europe Small Cap	8.3%

*Source: Financial Express, as at 30.04.23, total return (net of fees and income reinvested).

**Source: Financial Express, as at 31.03.23, 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 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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