

# Economic Advantage

November 2023 review



## Liontrust UK Growth Fund



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**The Liontrust GF UK Growth Fund returned 1.6%\* in November. The Fund's comparator benchmark, the FTSE All-Share, returned 3.0%.**

Evidence of decelerating inflation helped propel a broad rally across asset classes, with investors largely disregarding central bankers' efforts to promote the possibility of further policy tightening. By the end of the month, financial markets had moved to price in a peak at current interest rates in the US, UK and eurozone.

We've recently highlighted the low valuation of UK stocks – particularly small caps – relative to both their own history and to other international equity markets. While the former of these two discounts narrowed slightly during November's strong equity market performance, the rally was global in nature, meaning that the UK still sits at a substantial valuation discount to other markets. We think this represents a very compelling longer-term investment opportunity in UK stocks.

**YouGov** (+21%) continued the 'relief bounce' we commented on last month following its solid set of full-year results which confirmed trading in the new year has begun in line with expectations. The fact that stocks are experiencing such strength on the back of merely 'in-line' statements remains emblematic of the level of pessimism currently priced into many share prices.

This month, data driven consultancy **Next 15 Group** notched up an 18% gain following a trading update which simply maintained revenue and profits guidance for the full year to 31 January 2024. In the three months to 31 October Next 15 generated organic net revenue growth of 2.5% a similar rate to the first six months of the year.

One stock to rally due to better-than-expected financial results was **Sage Group** (+16%). It released full-year results showing 12% growth in underlying recurring revenue growth (to £2.1bn) driven by a 25% expansion in its Business Cloud division (to £1.6bn). Operating profit rose 18% to £456m. The accounting, HR and payroll software company was bullish over its short-term

prospects, forecasting that profit margins trend upwards from next year and commenting that AI-powered services will increasingly become a revenue growth engine.

In its recent history, **Indivior** (-18%) has issued a string of upgrades to growth guidance for its *Sublocade* treatment for opioid addiction. Sublocade has grown to be Indivior's largest seller, taking on the mantle from the *Suboxone* drug that is seeing ongoing sales declines following the loss of IP protection which allowed cheaper generic competition. While a Q3 update in November once again raised Sublocade's 2023 sales forecast, this was offset by a downgrade in guidance for its smaller Perseris treatment. Indivior also commented that operating expenses would now be slightly higher than initially forecast, as it increases investments in Sublocade's further growth.

**Diageo** (-11%) warned that a weakening outlook for its Latin American and Caribbean division (about 11% of total sales) will lead group sales growth to slow. The region is expected to experience a 20% year-on-year organic net sales decline. Diageo cited macroeconomic pressures in the region which are resulting in lower consumption and consumer downtrading.

While **Synthomer** (-9.0%) didn't downgrade its financial forecasts, a trading update commented that trading has been 'broadly consistent' with its expectations and maintained its outlook for subdued demand. The chemicals business is experiencing soft demand across most of its end markets. Its speciality lines are showing more resilient pricing and volumes than its base chemicals products, which have been heavily affected by increased global competition.

Shares in **BAE Systems** (-4.9%) have been strong this year, significantly outperforming the index, but slid slightly in November after issuing an in-line full-year trading statement. The defence group maintained the 2023 guidance given at the time of its half-year results: sales growth of between 5% and 7% and an underlying operating profit improvement of 6% to 8%.

Overall, it was notable that there was a more 'risk on' feel to the market in November, with investors looking through short-term trading headwinds for more cyclical names. In addition to the positive contributors mentioned earlier, there were also decent rallies for the likes of recruitment business **PageGroup** (+19%) and financial securities broker **TP ICAP** (+18%) despite neither issuing updates during the month (although TP ICAP did issue an in-line trading update on the last day of October).

### Positive contributors included:

YouGov (+21%), PageGroup (+19%), TP ICAP (+18%), Next 15 Group (+18%) and Sage Group (+16%).

### Negative contributors included:

Indivior (-18%), Diageo (-11%), Synthomer (-9.0%), BAE Systems (-4.9%) and BP (-3.5%).

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

	Sep-23	Sep-22	Sep-21	Sep-20	Sep-19
Liontrust GF UK Growth C3 Inst Acc GBP	11.2%	-5.2%	25.7%	-10.2%	2.5%
FTSE All Share	13.8%	-4.0%	27.9%	-16.6%	2.7%

	Sep-18	Sep-17	Sep-16	Sep-15
Liontrust GF UK Growth C3 Inst Acc GBP	8.8%	10.6%	24.5%	1.0%
FTSE All Share	5.9%	11.9%	16.8%	-2.3%

\*Source: Financial Express, as at 30.11.2023, total return (net of fees and income reinvested), sterling terms, C3 institutional class. Non fund-related return data sourced from Bloomberg. \*\*Source: Financial Express, as at 30.09.2023, total return (net of fees and income reinvested), primary class. Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (03.09.14). Investment decisions should not be based on short-term performance.

## Key Risks

**Past performance does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.**

The Fund may encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings.

The Fund may invest in companies listed on the Alternative Investment Market (AIM) which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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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