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Economic Advantage

April 2024 review

Liontrust GF UK Growth Fund

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The Liontrust GF UK Growth Fund returned 0.6%* in April. The Fund's comparator benchmark, the FTSE All-Share, returned 2.5%.

During Q1, UK markets went through a somewhat muted re-run of the pattern of 2022 – when the performance of mega and large caps diverged from mid and small caps, and AIM stocks in particular. The FTSE 100 returned 4.0%, compared with the 1.6% and -1.0% respective returns of the mid-cap FTSE 250 and the FTSE Small Cap (ex-investment trusts). The FTSE AIM All-Share once again brought up the rear with a -2.3% return.

In April, the UK market's positive mood bucked the trend for global equities, which largely struggled with the prospect of fewer US interest rates cuts which was raised by unexpectedly strong economic data. There were some tentative signs of respite from small-cap underperformance, with the FTSE Small Cap (ex-ITs) index return of 4.0% outstripping the FTSE 100's 2.7% rise, but the FTSE AIM All-Share still lagged with a 2.5% return.

The FTSE 100 hit a new all-time high at the end of the month as it surpassed its prior peak in February 2023. As the second largest stock in the index, a large rise in **AstraZeneca** (+13%) – an overweight portfolio position – contributed strongly to this milestone. The pharmaceutical group released Q1 results which beat expectations for both revenues and earnings. In constant currency terms, revenues were up 19% year-on-year, driven by a 26% expansion in oncology sales and 23% rise in its cardiovascular, renal and metabolism unit, with the *Farxiga* diabetes treatment leading the way with 45% growth. The company maintained full-year guidance for "low double-digit to low teens percentage" growth in revenues and earnings, but the strength of Q1 trends has led some analysts to expect upgrades later in the year.

A quarterly trading update from **Hargreaves Lansdown** (+11%) highlighted strong momentum, with higher gross inflows, net new clients and dealing volumes. Net new business of £1.6 billion took assets under administration to a high of £150 billion at the end of March, while net new clients of 34,000 in the quarter took the total to 1.86 million active clients.

Shell (+9.1%) issued a Q1 update ahead of the release of full results in May. While showing mixed trends across its divisions, shares in the energy giant rose on the outlook for its integrated gas unit: while the gas trading result is on track to be significantly lower than the prior quarter's exceptional level, Shell's comment that trading would still be resilient was reassuring to investors who had feared a sharper drop off.

An update from **Future** (+8.2%), owner of a number of specialist media brands, noted that the improvement to the Q4 2023 exit rate has continued, resulting in a return to organic revenue growth in Q2, driven by its Go.Compare consumer finance brand. While a positive overall update in the context of its disappointing comments in December – when it emphasised the need to invest to stimulate growth – the tone was tempered by recognition of ongoing macroeconomic pressures on digital advertising and lower website user volumes.

WH Smith (-17%) shares sank following the release of interim results, although they were in-line with expectations and included fairly benign outlook comments. The retailer grew revenues by 8% to £926 million in the six months to 29 February, with the travel unit rising 13% while the smaller high street division continued its managed decline, down 4%. WH Smith commented that the second half of its financial year has started well, and it is on track to hit full-year forecasts. However, the half year results demonstrated more muted performance in the North American market than anticipated, with margins impacted by investment in growth, gross new store additions tempered by elevated store closures, and slowing like-for-like sales growth in recent weeks.

Indivior (-15%) issued Q1 results showing 12% growth in net revenues to $284 million, once again driven by its *Sublocade* opioid addiction treatment, which rose 36% year-on-year, though only 2% quarter-on-quarter. Growth of *Sublocade* during the quarter was impacted by a number of factors which the company described as transitory, including Medicaid patient disenrollments, abnormal trade destocking and a cyberattack on the largest US medical claims processor. It maintained 2024 guidance, anticipating a resolution of these items as the year progresses: revenues of $1.24 billion to $1.33 billion, up 18% at the midpoint.

The position in **Reckitt Benckiser** was sold following last month's unexpected litigation blow, in which a court in Illinois awarded $60 million in damages to the mother of a premature baby that developed a fatal bowel condition following use of its Enfamil formula. The company has made too many missteps in recent years and the acquisition of Mead Johnson, the infant milk business, has destroyed value. The litigation ruling was our catalyst to sell as the financial risks could potentially be quite meaningful but are unlikely to crystallise for some time. In the meantime, we can reallocate the capital to plenty of other Fund holdings which are at attractive valuations and do not suffer from such an uncertain outlook.

Having already looked to take advantage of currently depressed small cap valuations by initiating a position in Keywords Studios in recent months, the Fund added another new position in **Auction Technology Group**. ATG is a leading operator of online auction marketplaces and services across two key sectors: Industrial & Commercial and Art & Antiques. It is a business which truly exploits the power of network effects, with an increasing audience of bidders participating in auctions driving higher prices for auctioneers and greater volumes of items listed on the company's marketplaces While ATG, like its peers, has seen some softness in activity due to prevailing economic conditions, this has provided the Fund with the opportunity to take a small starting position, taking a longer term view of the business' potential.

Positive contributors included:

AstraZeneca (+13%), Wood Group (+12%), Hargreaves Lansdown (+11%), Shell (+9.1%) and Future (+8.2%).

Negative contributors included:

WH Smith (-17%), Indivior (-15%), YouGov (-13%), Moonpig Group (-8.0%) and Sage Group (-7.9%).

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

	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20
Liontrust GF UK Growth C3 Inst Acc GBP	7.2%	3.3%	13.1%	23.5%	-13.5%
FTSE All Share	8.4%	2.9%	13.0%	26.7%	-18.5%

	Mar-19	Mar-18	Mar-17	Mar-16
Liontrust GF UK Growth C3 Inst Acc GBP	6.4%	2.0%	21.9%	1.9%
FTSE All Share	6.4%	1.2%	22.0%	-3.9%

*Source: Financial Express, as at 31.03.24, 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 31.03.2023, 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 Features of the Liontrust GF UK Growth Fund

Investment objective & policy[1]	The investment objective of the Fund is to provide long term capital growth by investing predominantly in UK equities. The Fund invests at least 80% in securities of companies traded on the UK and Irish stock exchanges. The Fund invests predominantly in UK large and mid-cap stocks.
Recommended investment horizon	5 years or more
Risk profile (SRI)[2]	4
Active/passive investment style	Active
Benchmark	The Fund is considered to be actively managed in reference to the FTSE All Share Index (the "Benchmark") by virtue of the fact that it uses the Benchmark for performance comparison purposes. 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 PRIIP KID of the fund; 2. SRI = Summary Risk Indicator. Please refer to the PRIIP KID for further detail on how this is calculated.

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.

Disclaimer