

Economic Advantage

December 2025 review



Liontrust UK Micro Cap Fund



Anthony Cross

Head of Economic
Advantage



Matt Tonge

Fund
Manager



Victoria Stevens

Fund
Manager



Alex Game

Fund
Manager



Natalie Bell

Fund
Manager

Key highlights

- The Fund owns a portfolio of high-quality compounders which trade at significant discounts to historical averages, yet have on average experienced solid trading in an uncertain macro environment
- During December, the Fund saw the usual mix of companies experiencing near-term successes or setbacks along their longer-term growth paths.
- Although adverse stylistic headwinds persisted, there are varied and significant catalysts at the underlying stock level within the portfolio, which will continue to be an important driver of returns for the foreseeable future.

Performance

The Liontrust UK Micro Cap Fund returned -0.5%* in December. The FTSE Small Cap (excluding investment trusts) Index and the FTSE AIM All-Share Index comparator benchmarks returned 3.2% and 1.7% respectively. The average return of funds in the IA UK Smaller Companies sector, also a comparator benchmark, was 0.8%.

Commentary

The UK equity market notched up another monthly gain as both the Bank of England and US Federal Reserve announced widely anticipated rate cuts.

In last month's review, we commented at length on the performance headwinds presented this year by the UK market's poor relative returns for small and mid-cap stocks, as well as those with Quality style characteristics, and its concentration of gains in asset intensive sectors such as banks and mining.

These adverse conditions persisted in December, concluding a tough 2025 for investors in high-quality growth stocks. The year was also another challenging period with regards to small cap sector flows with persistent capital outflows throughout the year, which were elevated in Q4 around the Budget: the dynamic continues to be unhelpful for broader sector valuations. Micro cap stocks are particularly vulnerable to this dynamic given the lower liquidity profile, evidenced by another period of "smaller" small cap stocks underperforming larger peers.

We reiterate our messages from recent months: the Fund owns a portfolio of high-quality compounders which trade at significant discounts to historical averages, yet have on average experienced solid trading in an uncertain macro environment; we remain resolutely focused on the application of the investment process, ensuring that we manage portfolios in a consistent way which avoids style drift and retains its conviction in high-quality compounding; calling the timing of a turning point for Quality is difficult, but when it arrives it should offer a significant valuation re-rating. In the meantime, there are varied and significant catalysts at the underlying stock level within the portfolio, which will continue to be an important driver of returns for the foreseeable future.

During December, the Fund saw the usual mix of companies experiencing near-term successes or setbacks along their longer-term growth paths.

Starting with the positives, **Tristel** (+14%), the manufacturer of infection prevention products, issued an AGM statement confirming in-line trading since the start of its new financial year in July. It remains "firmly on target" to grow revenues by 10% year-on-year, although, as with prior years, trading will be weighted towards the second half of its year as hospitals increase demand during winter months.

Solid State (+12%) makes durable components for specialist and harsh operational environments in industrial and military markets. While half-year results to 30 September noted ongoing softness in industrials demand, this was more than offset by a major order in the communications sector which boosted year-on-year revenue growth to 39%. The company also commented on improving leading indicators for the industrial sector, which has been particularly depressed recently, as well as a recovery in order book levels in recent months.

Tribal Group (+10%) expects adjusted earnings for 2025 to be ahead of market expectations, with revenues "comfortably in-line" with consensus. The software provider to the international education market saw strong trading in its Student Information Services division, which now includes a large proportion of higher education customers on subscription licenses, supporting Tribal's shift to a software-as-a-service business.

Strong trading and favourable working capital movements have helped Tribal move from a £3.2 million net debt position last year to a net cash holding of at least £5 million. As a result of the balance sheet improvement, Tribal announced a 1.5p per share special dividend.

Among the monthly detractors, **Nexeq** (-23%) confirmed in-line trading in 2025 but warned that 2026 financial performance will be below current market expectations. Nexeq's Quixant division supplies computer platforms for the casino gaming and slot machine market, while its Denistron business provides display components into a diverse range of industrial sectors. One of Nexeq's largest gaming customers has been taken over, meaning a reduction in revenues as its technology is integrated with the acquirer's. Nexeq describes the opportunity to pitch for new business with the acquirer as significant, but notes that any new revenues will not feed through in time to offset the decline from the technology integration process.

Gateley Holdings (-9.2%) slid despite releasing solid interim results which maintained full-year guidance. The provider of legal and professional services saw an increase in activity levels year-on-year, notwithstanding a deceleration in transactional services due to pre-Budget uncertainty. It expects pent-up pipelines to now unwind.

Positive contributors included:

Virgin Wines UK (+24%), Tristel (+14%), Solid State (+12%), EKF Diagnostics (+10%) and Tribal Group (+10%).

Negative contributors included:

Inspiration Healthcare (-29%), Nexeq (-23%), Fonix (-13%), Gateley Holdings (-9.2%) and Calnex Solutions (-7.2%).

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

	Dec-25	Dec-24	Dec-23	Dec-22	Dec-21
Liontrust UK Micro Cap I Acc	-1.2%	0.0%	1.0%	-17.1%	33.6%
FTSE Small Cap ex ITs	10.9%	13.8%	10.4%	-17.3%	31.3%
FTSE AIM All Share	8.5%	-4.0%	-6.4%	-30.7%	6.1%
IA UK Smaller Companies	4.1%	6.7%	0.5%	-25.2%	22.9%
Quartile	3	4	3	1	1

*Source: Financial Express, as at 31.12.25, total return (net of fees and income reinvested), bid-to-bid, institutional class. **Source: Financial Express, as at 31.12.25, total return (net of fees and income reinvested), bid-to-bid, institutional class.

For a comprehensive list of common financial words and terms, see our glossary at:
<https://www.liontrust.com/benefits-of-investing/guide-financial-words-terms>

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 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.

As the Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time, i.e. in certain circumstances, the fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the fund to defer or suspend redemptions of its shares. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.

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

This document is issued by Liontrust Investment Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518552) to undertake regulated investment business.

It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. The investment being promoted is for units in a fund, not directly in the underlying assets.

This information and analysis is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content, no representation or warranty is given, whether express or implied, by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified.

This is a marketing communication. Before making an investment, you should read the relevant Prospectus and the Key Investor Information Document (KIID) and/or PRIIP/KID, which provide full product details including investment charges and risks. These documents can be obtained, free of charge, from www.liontrust.com or direct from Liontrust. If you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances. All use of company logos, images or trademarks in this document are for reference purposes only.