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Economic Advantage

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Liontrust Global Smaller Companies Fund

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Key highlights

- Global small cap equities progressed well over the month, led by emerging markets and the USA.
- Software stocks indiscriminately sold off after Anthropic released a new agentic AI 'coworker' for enterprises.
- The fund underperformed slightly due to its underweight to mining equities (see copper, gold and silver prices) and overweight to software stocks.

Performance

The Liontrust Global Smaller Companies Fund returned 1.6% in January, compared with the 3.8% return of the MSCI ACWI Small Cap Index and an average return of 1.1% in the IA Global sector, its comparator benchmarks.

Commentary

Global small cap equities progressed well over January, led by emerging markets given the weakening US dollar (which generally eases trade, financing and liquidity conditions for those markets) and rising commodity prices.

Supportive economic data read-outs in the US such as manufacturing orders, construction plans, and moderating inflation buoyed cyclical and consumer stocks. European small caps were only slightly up, suffering from geopolitical tensions around President Trump's comments on taking over Greenland.

Japanese small caps performed well, as Prime Minister Takaichi announced a snap election as she hopes to secure a majority – and would enable her to follow through with ambitious fiscal spending plans. Japanese long-term bonds had their worst start to a year since 1994.

Software

Perhaps most significantly, Anthropic launched a new no-code product called Claude Cowork. It is agentic AI… a program that sits within one's PC and operates as a coworker, completing tasks with the ability to intelligently contextualise data sources. Claude Cowork's capabilities indicate the path of AI evolution (at the moment it is only a research preview) – from chat-based AI tools to agentic 'delegate-to' AI assistants. As a result, many software stocks fell on fears they could eventually be replaced or disrupted by AI.

We found this unsurprising – first, that easy-to-use agentic AI for enterprises has been developed, and second, that markets are panicking and all software stocks are being painted with the same brush.

Over the past year, we have spent a great deal of time and attention on the disruption risk and competitive advantage erosion in software. As a result, where we continue to own enterprise software, it is firms that offer products which are highly specialised, requiring critical external inputs to function (i.e. proprietary data), operate as a platform rather than a tool, enable multiple stakeholders to engage with the underlying data and run workflows, and therefore are deeply embedded as systems of record, action and performance. We believe these products will be the ultimate beneficiaries of AI integration. Now they are cheaper given the market's 'shoot first and ask questions later' approach, it is painful in the short term, but we see great opportunities in these stocks over the long run.

Top contributors:

- Park Systems (+42% in sterling terms) – A number of semiconductor manufacturers in South Korea, the US and Taiwan increased their spend on new factories. This will directly benefit Park Systems, which is one of the leading producers of nanoscale microscopy (very sophisticated microscopes which detect defects on silicon wafers).
- CLASSYS (+34%) – No particular news, but this leading player in anti-aging treatments (such as radiofrequency and microneedling machines) continues to grow strongly in both South Korea and overseas.
- Chroma ATE (+24%) – Chroma has continued to see strong sales growth in its semiconductor testing business, with strong customer relationships (particularly with Nvidia and AMD for their AI GPU system-level test requirements).

Largest detractors:

- Altus Group (-19% in sterling terms) – Fell on AI disruption concerns, as discussed above.
- Paylocity (-13%) – Fell on AI disruption concerns, as discussed above.
- Asahi (-13%) – No particular news, but as bond yields rise, value stocks generally outperform growth stocks, and this has been the case in Japan year-to-date. Asahi Intecc offers the market's best performing guidewire used in preventative cardiovascular operations and continues to grow sales at a healthy pace.

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

	Dec-25	Dec-24	Dec-23	Dec-22	Dec-21
Liontrust Global Smaller Companies C Acc	-6.8%	6.2%	20.8%	-27.1%	8.0%
MSCI ACWI Small Cap	11.5%	9.6%	10.2%	-8.4%	17.2%
IA Global	11.2%	12.6%	12.7%	-11.1%	17.7%
Quartile Ranking	4	4	1	4	4

* Source: FE Analytics, as at 31.01.26, total return, net of fees and income reinvested. The current fund managers' inception date is 14.01.25.

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.

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments or have significant sector or factor exposures. If one of these investments or sectors / factors fall in value this can have a greater impact on the Fund's value than if it held a larger number of investments across a more diversified portfolio.

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