

Economic Advantage

January 2026 review



Liontrust UK Smaller Companies Fund



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Key highlights

- Big Technologies and Eagle Eye Solutions stage large share price recoveries on positive updates.
- Kitwave the latest Fund holding to receive takeover interest.
- Craneware and Kainos affected by late-month weakness in software shares on AI concerns.

Performance

The Liontrust UK Smaller Companies Fund returned 4.1%* in January. The FTSE Small Cap (excluding investment trusts) Index comparator benchmark return was 5.7%, and the average fund in the IA UK Smaller Companies sector, also a comparator benchmark, returned 5.4%.

Commentary

Although global geopolitical risks were heightened by the US incursion in Venezuela, its threats to intervene amid widespread unrest in Iran, and Trump's continued pursuit of Greenland, investor risk appetite showed little sign of being affected.

The MSCI All Country World Index returned 0.9%, split between emerging markets up 4.8% and developed markets edging 0.2% higher, the latter figure subdued by dollar weakness.

Building on last month's positive business developments, **Big Technologies** (+38%) rallied further as it was able to both upgrade profit guidance for 2025 and crystallise the litigation risk which has hung over the business for over two years.

Big Technologies has agreed to pay former shareholders in Buddi up to £39 million to settle claims over the process by which the subsidiary was acquired in 2019. The company continues to pursue a claim against its former CEO concerning her conduct around the Buddi litigation.

The provider of electronic monitoring solutions also stated that both revenue and adjusted earnings had exceeded market consensus in 2025.

One of the key consequences of the UK's unloved status in recent years, particularly within the small cap space, is an increase in opportunistic takeovers from private equity or corporate acquirers, who are able to recognise and exploit the opportunity created by valuations trading at significant discounts to long-term averages and global peers.

During January, delivery wholesale business **Kitwave Group** (+32%) became the latest Fund holding to move towards the exit door of the UK stock market. It recommended a 295p cash offer from a private equity firm – a 34% premium to Kitwave's prior share price but lower than its level as recently as June, when a profit warning on weak leisure venue demand prompted a decline.

Eagle Eye Solutions' (+35%) shares also staged a recovery from a summer 2025 profit warning, after commenting that profits for the year to 30 June 2026 are on course to comfortably exceed consensus expectations. The 2025 warning involved the loss of a high-margin US contract, a setback shown by the latest update to be an isolated one-off. The software-as-a-service and AI digital marketing specialist noted that the value of new customers won in the first half of its financial year has improved significantly, with last year's global OEM agreement also delivering its first contracts.

While releasing solid interims and details of new contract wins in January, shares in **Cohort** (+28%) – the electronic and surveillance technology provider – were lifted by a rally in defence-related stocks on the back of comments from Donald Trump that he would like to lift US military spending 50% to \$1.5 trillion.

Netcall (+19%), the provider of AI-driven enterprise technology, confirmed a solid, in-line performance in the six months to 31 December, with revenue up 11% in organic terms.

One notable trend in equity markets was late-month weakness in technology shares, as the disruptive impact of AI continued to concern investors. These worries have spilled over into the early days of February and broadened from software into related sectors. One of the Fund's affected holdings was **Craneware** (-13%), the software provider for healthcare organisations. It released in-line interims during January, which confirmed it is trading in line with expectations for the year to 30 June. The share price at the end of the month of 1650p compares to the bid by Bain Capital of 2650p in only June of last year, which was rejected on valuation grounds.

Similarly, **Kainos** (-10%) shares were marked down amidst the market volatility with particular weakness in Workday, with US listed shares having a negative read across.

Scientific instruments specialist **Judges Scientific** (-11%) has seen a continuation of US demand weakness since its last update in September and now expects 2025 earnings to be 6% below market expectations. Uncertainties around US federal funding of scientific research mean that its 2026 order book is below normal levels, prompting the company to rationalise its cost base.

Positive contributors included:

Big Technologies (+38%), Eagle Eye Solutions (+35%), Kitwave Group (+32%), Cohort (+28%) and Netcall (+19%).

Negative contributors included:

Accesso Technology (-1.5%), Craneware (-1.3%), Raspberry Pi (-1.1%), Judges Scientific (-1.1%) and Kainos Group (-1.0%).

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

	Dec-25	Dec-24	Dec-23	Dec-22	Dec-21
Liontrust UK Smaller Companies I Inc	-4.6%	-0.3%	-0.8%	-23.0%	24.7%
FTSE Small Cap ex ITs	10.9%	13.8%	10.4%	-17.3%	31.3%
IA UK Smaller Companies	4.1%	6.7%	0.5%	-25.2%	22.9%
Quartile	4	4	3	2	2

*Source: Financial Express, as at 31.01.26, 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, primary 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.

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