Liontrust Multi-Asset

LIONTRUST MULTI-ASSET FUNDS AND PORTFOLIOS

QUARTER IN REVIEW

1 October to 31 December 2022

- Suitability
- Value for Money
- Transparency

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ECONOMIC AND MARKET REVIEW AND OUTLOOK

Markets find some traction as relentless flow of negative news abates

- Global financial markets were more settled in Q4, ending the rare run of three successive quarters of negative return. The S&P 500 Index was up around 8% over the quarter, although it was still down around 20% over the year.
- As much as positive news was scarce, markets just needed a reprieve from the relentless flow of negative economic and geopolitical news that marred the rest of 2022 to find some positive traction. It was looking increasingly like a turning point in financial markets.
- The war in Ukraine continued, however, and the resulting energy crisis was still an issue, especially in Europe. Financial markets are sensitive to geopolitical risks, especially with regards to the consequences for supply chains and inflation. Relations between the US and China did improve marginally after Joe Biden and Xi Jinping met in Bali in November.
- A key positive in Q4 was that inflation appeared to be easing. Rates in the US, Europe and the UK ended the quarter off the highs seen earlier in the year.
- We anticipate inflation will start to edge down in 2023 as rolling base effects from Covid shutdowns, changes in consumer behaviour and the recent energy price shocks work through the system.
- Leading central banks continued to hike interest rates aggressively in Q4 and warned that they would stay higher for longer in 2023 to tackle inflation. They did, however, slow their rate hikes to 50bps in December, having raised them by 75bps earlier in the year.
- Just how far monetary tightening will go is still a key unknown, with the monetary medicine that has already been administered having yet to fully emerge.
- While, with the benefit of hindsight, it is fair to say central banks were overly accommodative at the start of 2022, they now walk a tightrope between doing too much and too little monetary tightening, with the lagged effects of monetary policy on inflation and the economy more generally a potential source of policy misstep.
- A slowing economy is widely expected in 2023 and the risk is that this will impact company earnings and their financial strength. But the global economy remains on a fairly solid footing and we expect that the downturn will be a mild recession rather than a deep and protracted one. The re-opening of China after the lifting of its zero Covid restrictions will provide further support to the world economy.

Global financial markets were more settled in Q4, ending the rare run of three successive quarters of negative return

The war in Ukraine continues and the resulting energy crisis was still an issue, especially in Europe. Financial markets are sensitive to geopolitical risks, especially with regards to the consequences for supply chains and inflation

A key positive in Q4 was that inflation appeared to be easing. Rates in the US, Europe and the UK ended the quarter off the highs seen earlier in the year

Our view of investment markets

- The obvious risk for investment markets lies in unexpected tightening monetary policy and slowing growth, but if inflation subsides – and there has been growing evidence of this in the closing months of 2022 – then this risk will lessen.
- The market volatility throughout most of 2022 has reset market prices, most notably in fixed income. Government bond yields have moved up from their rock bottom levels and yields of c. 3.5% have become available on US treasuries and UK gilts. These, and the yields on corporate debt, are more attractive than they have been in recent years.
- Equity markets also look attractively valued from a forward-looking perspective after the sell-offs seen in 2022.
- Whereas investors focused in 2022 on when central banks would reach peak hawkishness and 'pivot' from raising rates, 2023 is likely to see them switch to a more sober analysis of companies' fundamentals, including their earnings and financial strength. The future returns on equities and corporate bonds will depend on these, which will be closely linked to the state of the economy.
- We expect to see many assets reverting to performances that are more in line with longer-term trends and fundamentals, including non-US equities regaining performance.
- Active managers can prove their worth by identifying companies that can adapt the most effectively in an environment of market uncertainty and inflationary pressures.
- History shows that crises pass at some stage and the falls in assets seen in 2022 could present a good buying opportunity. Investors should bear in mind that while there may be further downside in markets, it would be easy to miss out on the upturn when a sustained rally appears.
- The best counter to market volatility is to take a long-term view and spread the risks across a broadly diversified investment portfolio that can reap rewards from multiple sources and will avoid knee-jerk responses to news and market events.

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Tactical Asset Allocation

- This table shows how confident we are about markets and asset classes, with five the most and one the least. In our most recent quarterly tactical review, we kept our overall score at three, but this is with a positive lean towards raising it to a four because we feel there is a much more positive tone in markets. A lot of bad news has now been priced in and arguably, we are through the worst of the peaking interest rate cycle.
- We moved our ranking on investment grade (IG) credit back up to three in Q4. We had moved it to two earlier this year in recognition that spreads had narrowed and no longer offered as much cushion for the additional credit risk. However, with spreads now at 150 basis points for global IG, the peak in spreads for this cycle could be behind us.
- We also raised our rating for high yield (HY) bonds from three to four. This reflects the attractive spreads that are now available versus government bonds. Global HY spreads are currently around 500 basis points, which is comparable to levels seen in 2016 and the Covid pandemic.
- Our rating for equities remains at three, having reduced it from four earlier in the year to reflect the greater uncertainties that existed with respect to interest rate policies and economic growth. However, we are now likely to add to our equity exposure overall, taking us to a slightly overweight position but still within our 'neutral' model limits.

	1	2	3	4	5	Direction of travel
Overall			•			↓
Cash		•				↑
UK gilts		•				↑
Global government bonds			•			↑
Investment grade corporate bonds			•			↑
Index-linked bonds		•				↓
High yield				•		↑
Emerging market debt			•			↑
Convertibles			•			↓
Equity overall			•			↓
US equity			•			↑
US small caps			•			↓
UK equity				•		↑
UK small caps				•		↑
European equity		•				↓
European small caps		•				↓
Japanese equity			•			↓
Japanese small caps			•			↓
Emerging markets equity				•		↓
Asian equity				•		↓
Real assets			•			↑

Source: Liontrust, 17 November 2022. Not all the asset classes are used in all the MA portfolios and funds

Current positioning

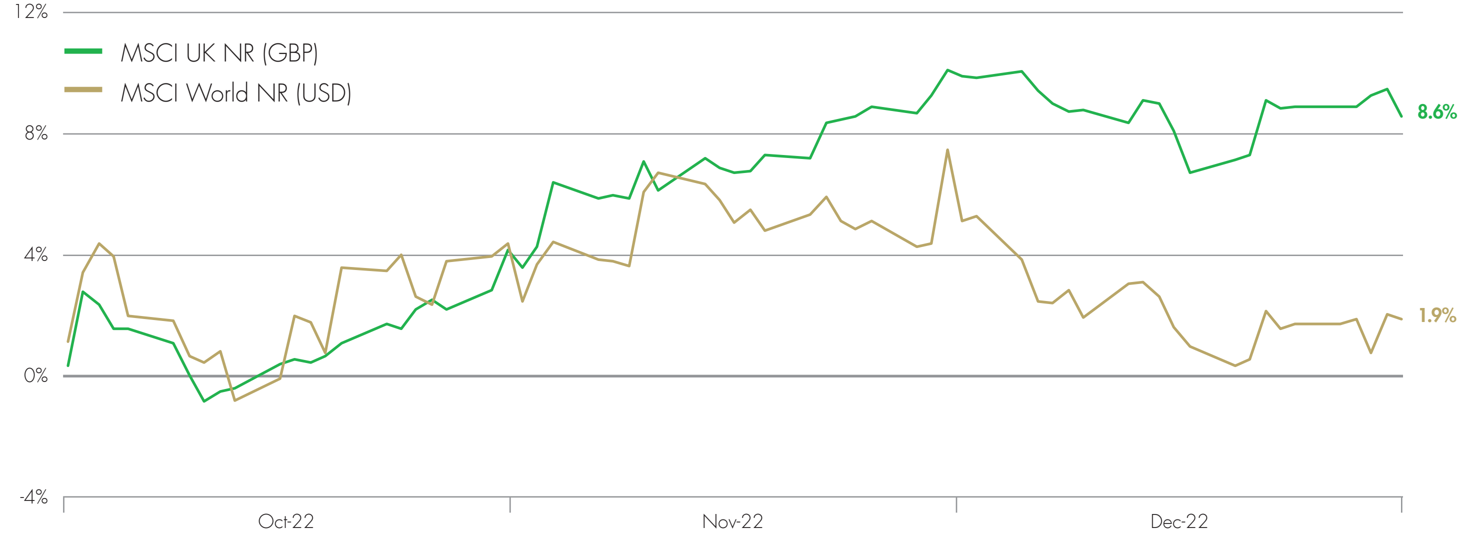
- While market pricing has become more attractive, the pervasive sense of uncertainty keeps us 'neutral' in terms of overall risk positioning.
- In the short-term, we expect the general level of uncertainty to continue to manifest itself through volatility.
- Corrections in 2022 have brought valuations of US stocks back to less unattractive (if not yet quite attractive) levels. The rotation towards value has meant the correction in growth stocks has been more pronounced.
- We have been under-weight bonds for some time but we are raising our target exposure. We are particularly positive towards global high yield. We believe that spread widening in this market, together with drifts up in benchmark sovereign yields, mean that attractive running yields are now available.
- There are certainly benefits to diversifying towards non-UK government bonds, with several other central banks further ahead of the curve than the Bank of England in raising interest rates. Some current yield levels offer the prospect of inflation-beating yields further down the line.
- UK equities still look relatively cheap despite the large caps outperforming many other developed markets around the world this year. We have taken profits here but we continue to believe that the UK remains an attractive long-term investment proposition after being shunned by international investors post Brexit. It still remains a contrarian play though with a lot of uncertainty around its future.
- Despite having proved themselves to be better at dealing with inflation than their developed counterparts, emerging markets have been hit hard by the rising dollar in Q3. Investors have also shied away from higher-risk assets in 2022. But the long-term fundamentals remain intact and we expect the strong economic growth trajectory, favourable demographics, governance improvements and risk premiums of emerging markets will bear fruit for the patient investor.
- The exposures that hampered our performance in 2022, including gilts, small caps and emerging market equities, together with increasing exposure to fixed income, will be geared into a market recovery when it comes through.

PERFORMANCE OF INVESTMENT MARKETS AND ASSET CLASSES

UK equities finish quarter more strongly than global counterparts

Equities generally rallied in Q4, which was the first quarterly rise in 2022. After a relatively poor start in the wake of the disruptive mini-Budget delivered by former prime minister Liz Truss's government in September, UK equities ended Q4 more strongly than their global counterparts when measured in GBP terms. UK equities have been disregarded by international investors since the Brexit vote and they offer relatively good value and higher yields.

Investment growth 1 October to 31 December 2022



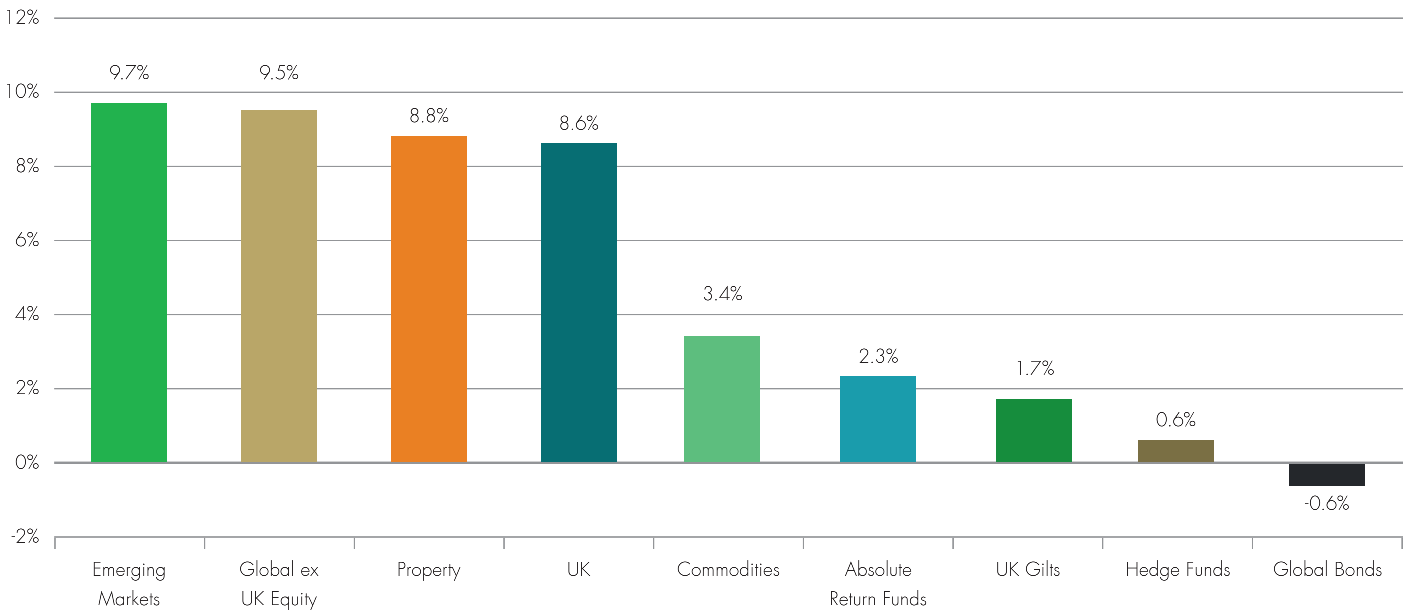
Source: Morningstar, 01.10.22 to 31.12.22. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.**

Performance of asset classes

Most asset classes rebound from Q3 losses

Global Bonds was the only asset class in negative territory in Q4 as most asset classes rebounded from the previous quarter in which they fell across the board. This was largely due to investors' disappointments at hawkish statements from the US and European central banks warning in December that interest rates would stay higher for longer to tackle inflation. UK Gilts, usually seen as one of the safer asset classes, recovered some of the losses the asset class had suffered in Q3, when it was the poorest performer after markets gave a poor reception to the new UK government's mini-Budget. Emerging Markets was the strongest performer, helped by a weakening US dollar and the re-opening of China after it relaxed its zero-Covid lockdown policies. Commodities also rose, with gains in industrial and precious metals and gas, although oil prices came off.

Asset class returns Q4 2022 (in local currency terms)



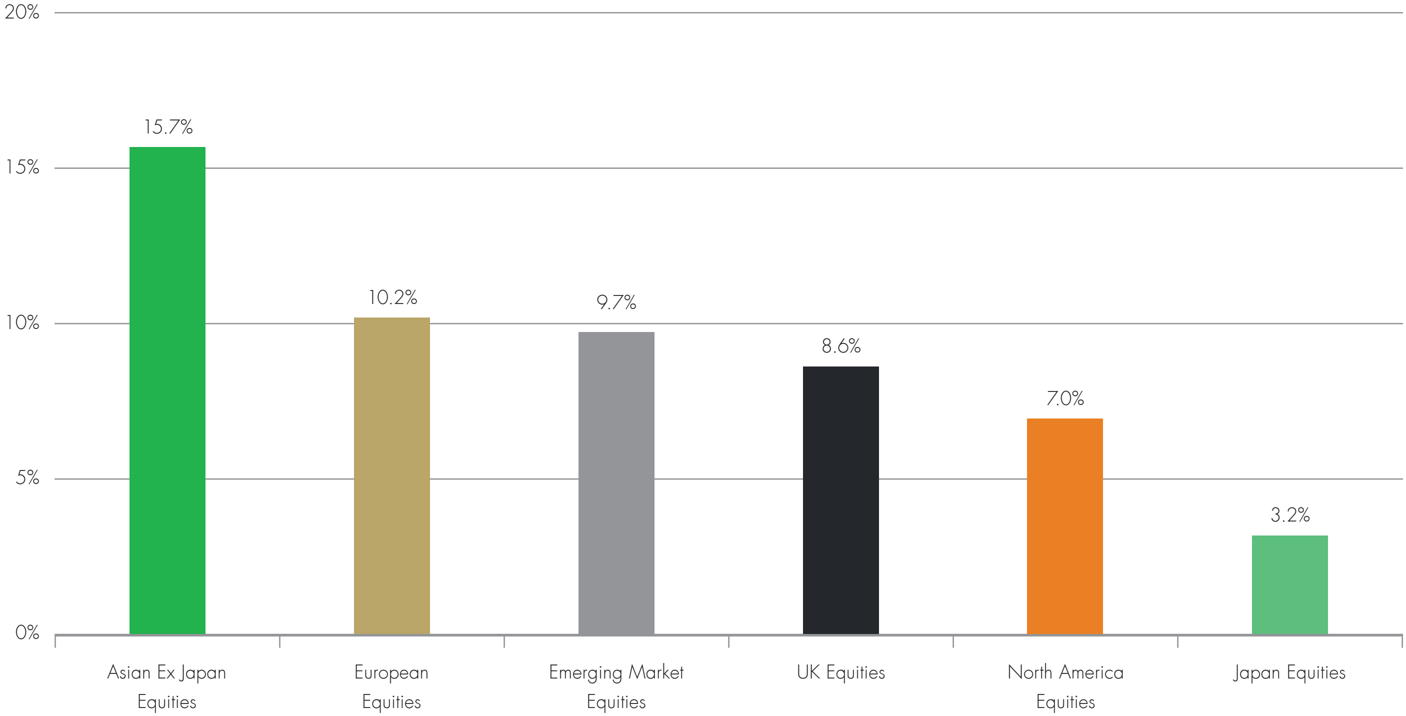
Source: Morningstar, 31.12.22

Performance of global stock markets

Asian ex-Japan equities lead the way

Every main equity sector performed positively in Q4 after they were all in the red in Q3. Asia ex-Japan performed best, with the strongest returns coming in November after investors were encouraged by US president Joe Biden and China's Xi Jinping signalling moves to improve relations at their meeting in Bali. Stock markets generally were supported in the first two months of Q4 by signs that inflation could be easing and hopes that the economic slowdown will be milder than feared.

Equity returns Q4 2022



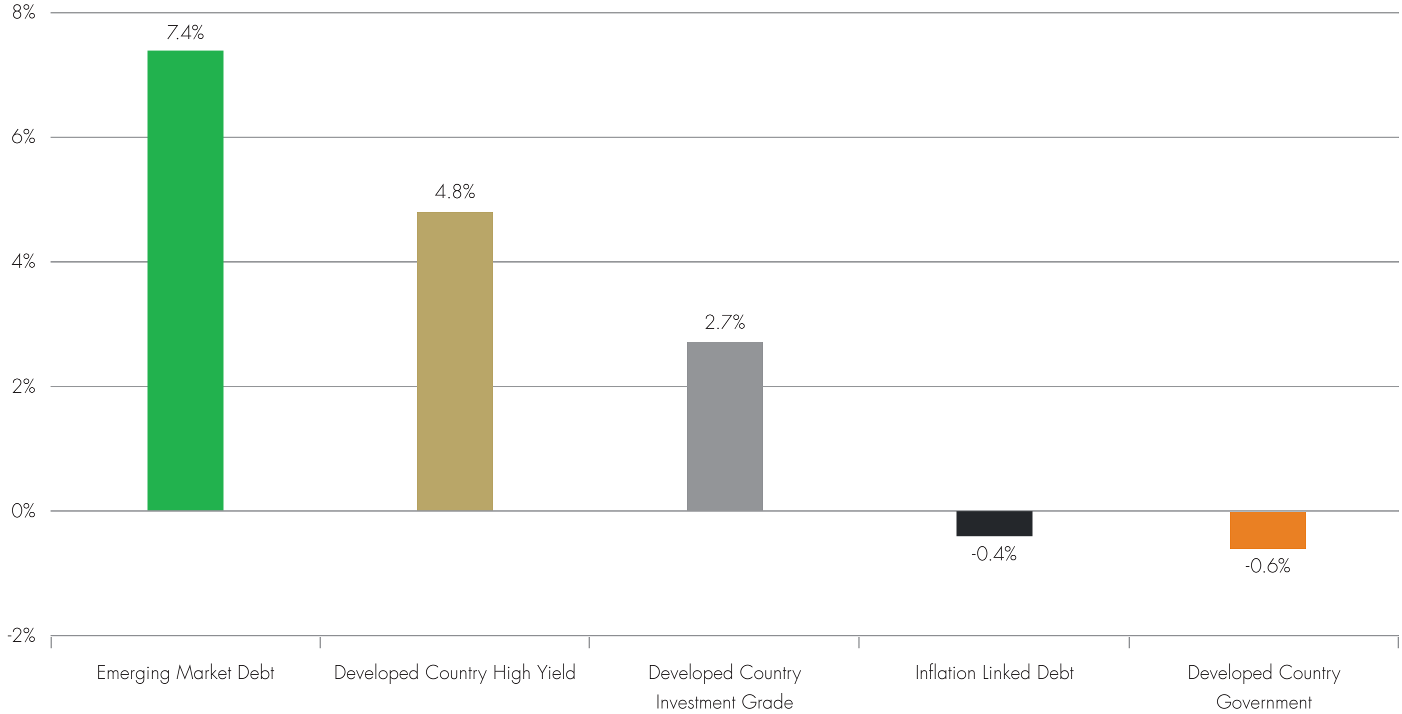
Source: Morningstar, 31.12.22

Performance of bond markets

Emerging market debt boosted by improving risk sentiment

Emerging market debt and non-government bonds saw yields narrow as risk sentiment improved in markets and spreads tightened. Yields widened the most over the quarter in developed country government debt because of the signals from central banks on their monetary policies. Inflation-linked debt extended its losses of previous quarters, which included a double-digit decline in Q2.

Bond returns Q4 2022



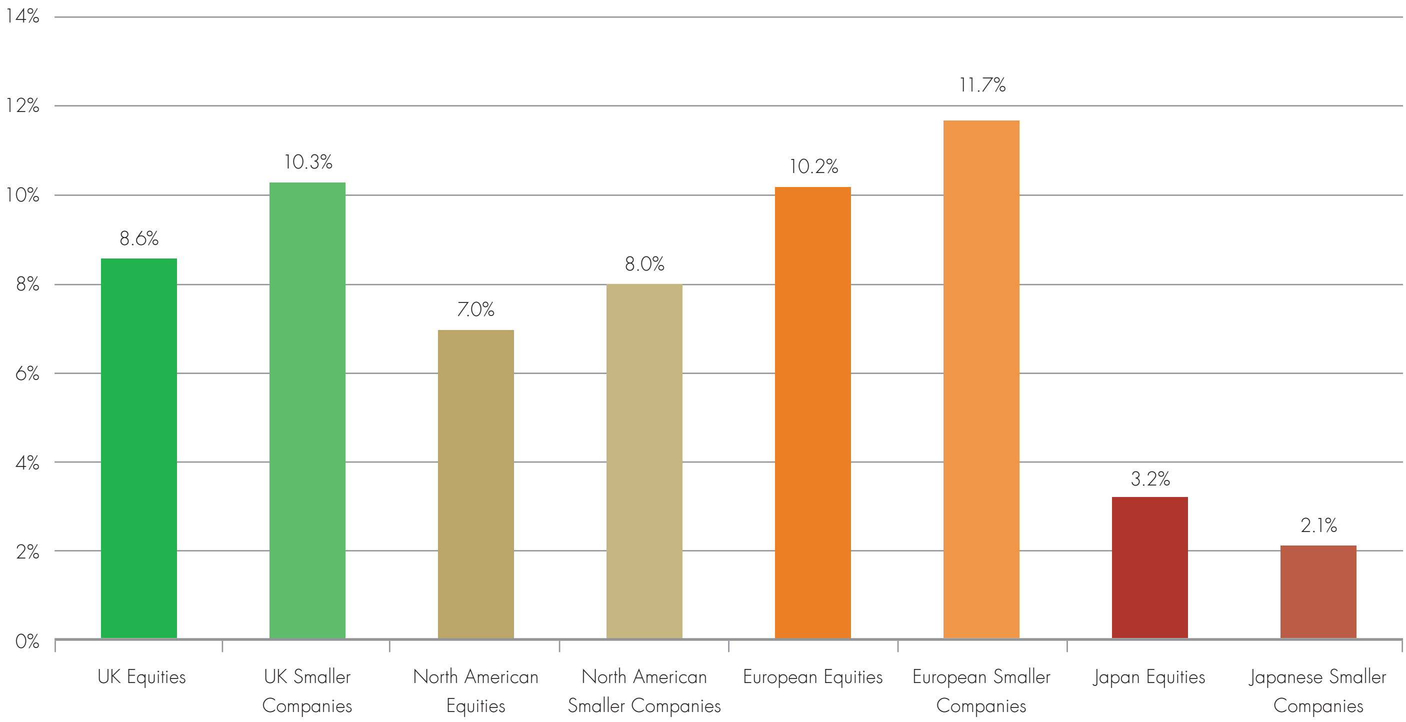
Source: Morningstar, 31.12.22

Large versus small cap equities

UK small caps outperform larger peers by widest margin

Smaller companies outperformed their larger peers across the developed regions except in Japan. The widest performance margin was in the UK, which was recovering some stability under the new Rishi Sunak government after the previous administration's mini-Budget had caused risk levels to spike. Japanese Smaller Companies had been the only positive sector in this sample range in Q3, having benefited from the country's low interest rates, so the country's large caps were recovering some relative performance.

Equity returns Q4 2022



Source: Morningstar, 31.12.22

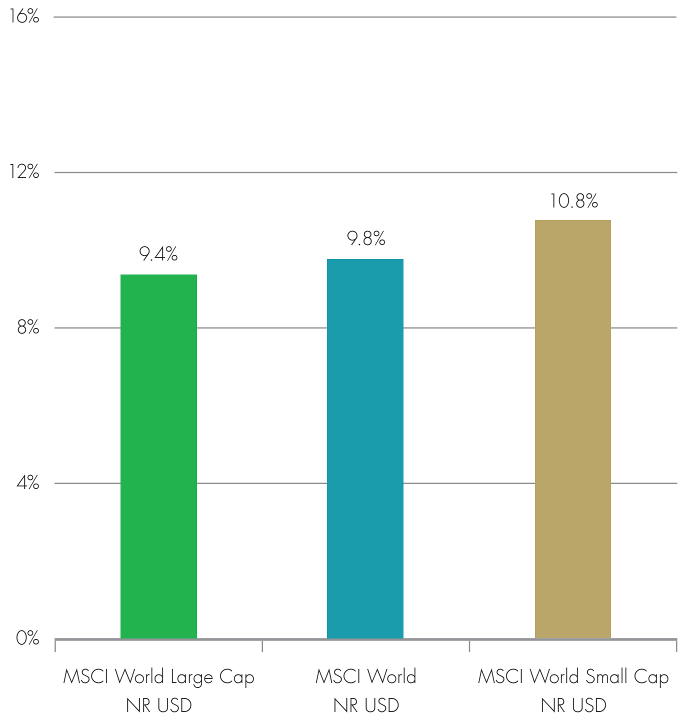
Global large cap vs small cap and value vs growth

Small caps shine again and rotation to value resumes

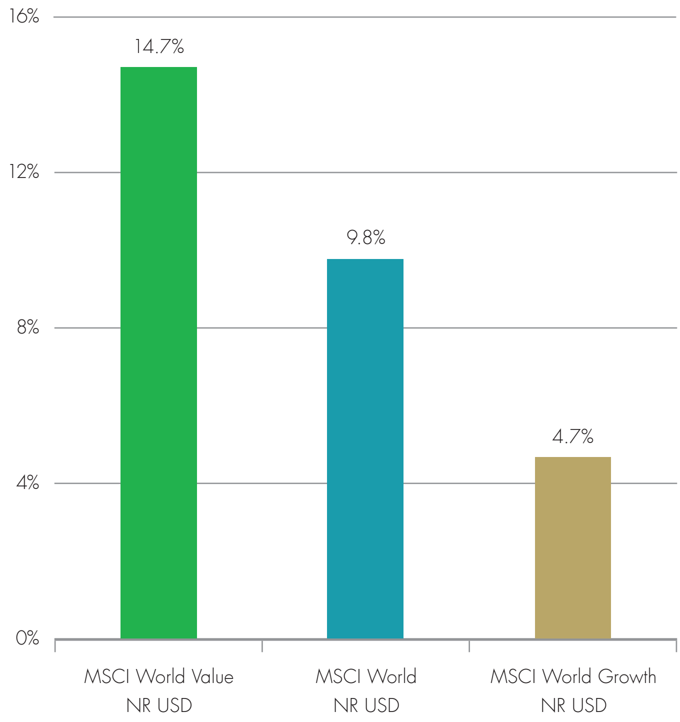
Small caps once again broadly outperformed large caps over the quarter from a global perspective as both sectors more than reversed the losses they incurred in Q3. Small caps had underperformed in H1 2022, when higher risk assets had been under more pressure.

While growth stocks had fallen relatively less in Q3, value stocks outperformed again in Q4, resuming the rotation towards them that was seen earlier in the year.

Global large cap versus small cap returns Q4 2022



Global growth versus value returns Q4 2022



Source: Morningstar, 31.12.22. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.**

VIEWS FROM OUR FUND MANAGERS

In this section, we highlight a selection of views from fund managers we have interviewed over the quarter, revealing different takes on the key questions of the moment. Not all the managers included are held in our funds and portfolios, and we have kept things anonymous so people feel comfortable expressing sometimes frank opinions.

Market reset seen as raising potential for opportunities

After three successive quarters of negative returns on financial markets, it is perhaps unsurprising that many of the fund managers with whom we engage were thinking about the potential opportunities now presented by beaten-down prices amid the pervasive negative sentiment.

It has been a particularly bad year for fixed income and the Financial Times reported that large investors were now buying the asset class after an historic sell-off. A macro strategist echoed this observation and told us: "Fixed income assets have become much more attractive than they have been historically from a valuation perspective. There has been a move in the investment environment from TINA (there is no alternative to equities) to CINDY – credit indices now deliver yield." The strategist stressed that short duration looks like the natural selection, adding: "Regionally, we like emerging market and European credit markets due to the valuations and spreads on offer. Investment grade offers look attractive due to robust balance sheets."

It was looking increasingly like a turning point in markets for equities, too. Early in Q4, A New York-based US small cap fund manager told us that now was not the time to be getting more defensive with the market down 22%: "Ultimately, (prior to this year) we have been in a FOMO ('fear of missing out') market but now we are moving to one of risk-adjusted returns, rather than return at any risk."

There were signs that central bank actions were tackling inflation, which had fallen from the highs seen earlier in the year. The global economy was also looking reasonably resilient and there were hopes that a mild downturn might be possible in 2023 rather than a protracted recession. One US fund manager we met over the quarter believes the US economy has made progress towards this. But the manager added: "The Fed is not likely to pivot from its policy at present. Although more debt may cause the interest burden to increase rapidly, this is not enough of a concern to deter the Fed from its tightening plan."

However, another US manager said market expectations were perhaps still too optimistic and earnings forecasts for 2023 were 10-20% too high. "A bear market ends when earnings expectations bottom, not with the final rate hike. Investors should prefer bonds over stocks when the tightening cycle matures and the yield curve inversion is at its maximum level, which has probably happened. Bond yields are deemed attractive because the bond market has discounted a higher terminal rate and the probability of inflation staying above the 2% target in the coming year."

Another US manager was optimistic about the global economy and said: "The latest economic data is showing consumers are resilient amid a high inflation environment. Retail sales jumped, even on an inflation-adjusted basis. Although consumers' excess savings are running down from the pandemic, the weakening inflation and low unemployment could increase the growth of real wage and consumer sentiment, strengthening consumer spending."

A US fund manager who anticipated that investors would shift their focus to equities in the second half of 2023 said: "Equities will outperform during recoveries, and we expect that the second half of 2023 will be the end of the cyclical bear market. The dollar and the interest rate will peak, the Federal Reserve will pause further hikes and inflation will drop further. The second half of 2023 will be a great time to look at equities."

Europe still has issues

While the US is probably further through the inflation cycle and enjoys significant benefits in having the world's reserve currency and energy self-sufficiency, Europe is not so lucky. We have been increasingly pessimistic on European equities and we reduced the sector's target score successively over the last two quarters. It is the region most at risk from the conflict in Ukraine and several countries, most notably Germany, were reliant on Russian energy. This is less so today but long-term solutions are needed to replace Russian sources. A fund manager believes the prospects of a recession in Europe are worsening: "Electricity prices have surged to more than 15 times the pre-COVID level, stemming from droughts, cuts in Russian supplies and summer heat. Inflation in the EU is running ahead of that in the US and this has increased the likelihood of a recession."

Christine Lagarde, President of the European Central Bank, warned markets in Q4 not to expect rate rises to end early in 2023, and promised at least two more 50bp hikes in February and March after raising the bloc's deposit rate from 1.5% to 2.0%. She formerly claimed that the Fed had a bigger inflation problem than the eurozone, but now admitted that the reverse is probably true. A European fund manager told us: "Owing to weakening economies and pricing power, companies' margins are expected to drop, leading to unfavourable corporate earnings. Consensus earnings are too optimistic and valuations are too demanding."

News is brighter in Asia

Emerging markets generally have been hit hard by the strengthening US dollar because they pay for their imports and debts in USD and are vulnerable to a slowing global economy. An emerging markets manager who we speak to pointed out: "Emerging markets are having a hard time due to the higher commodity prices, including energy and food. The strong dollar is pushing commodity prices even further, making goods more expensive to the rest of the world."

But the geopolitical news was looking better in Asia as China's Xi Jinping met both Japan prime minister Fumio Kishida at the Asia-Pacific Economic Cooperation forum and US president Joe Biden at the G20 summit in Bali. An Asia strategist for a UK bank added: "China wants the technology sector to be competitive and is addressing those issues in light of the US trying to protect intellectual property rights. China realises that if it did something like Russia has in Ukraine then it would have far more to lose in terms of global reputation."

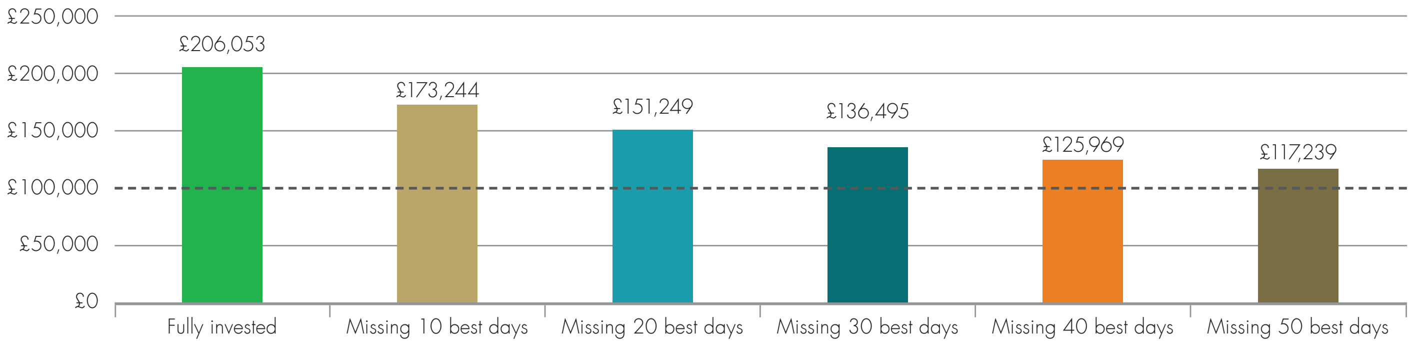
The Russia-Ukraine war grinds on. As one former ECB president commented: "Leaders of countries are either fire starters or firefighters – we have too many fire starters at the moment."

Time in the markets pays off

There may be more volatility and downside ahead for markets but staying out of them runs the risk of missing out on the recovery when it comes. Fig. 1 illustrates the benefits of 'time in the markets' as opposed to trying to time entries and exits. For example, a £100,000 investment into a Cautious Managed Portfolio in March 2009 would have been worth £206,053 by November 2022. However, if an investor in the same fund had missed only the 10 best days in that period, this figure would have fallen to £173,244. If economic and market conditions surprise on the upside in 2023 then the recovery could be swift, taking with it only those who are already invested.

Fig.1 Staying the course

£100,000 invested in a Cautious Managed Portfolio in March 2009



Source: Liontrust, Morningstar. Cautious Managed Portfolio represented by IA Mixed Investment 20-60% Shares sector average £ total returns from 08.03.09 to 07.11.22.
Past performance is not a guide to future performance

LIONTRUST MULTI-ASSET PERFORMANCE

MPS Growth

All our portfolios delivered positive returns over Q4 2022 as equities, bonds and commodities broadly recovered some of the losses they incurred earlier in the year. Good news was still rare but investor sentiment was becoming less gloomy about central banks' aggressive interest rate hikes amid signs that inflationary pressures could be easing.

The broad recovery proved to be beneficial for our portfolios given their diversified exposure. The benefits of diversification had been noticeably absent for most of 2022 as equities and bonds fell in tandem. Bonds would normally be expected to provide defensive support during equity sell-offs, but they weighed heavily on performance for much of last year in the face of sharply rising interest rates. However, our portfolios reaped rewards from across the asset classes in Q4.

Following the historic sell-off of fixed income in 2022, we are gradually becoming more interested in the asset class. Having been underweight the asset class for some time, we are now becoming more positive towards it and especially with regards to the global high yield (HY) market. This reflects our view that the spread-widening being seen in this market, combined with drifts up in benchmark sovereign yields, makes the asset class attractive on a risk-return basis.

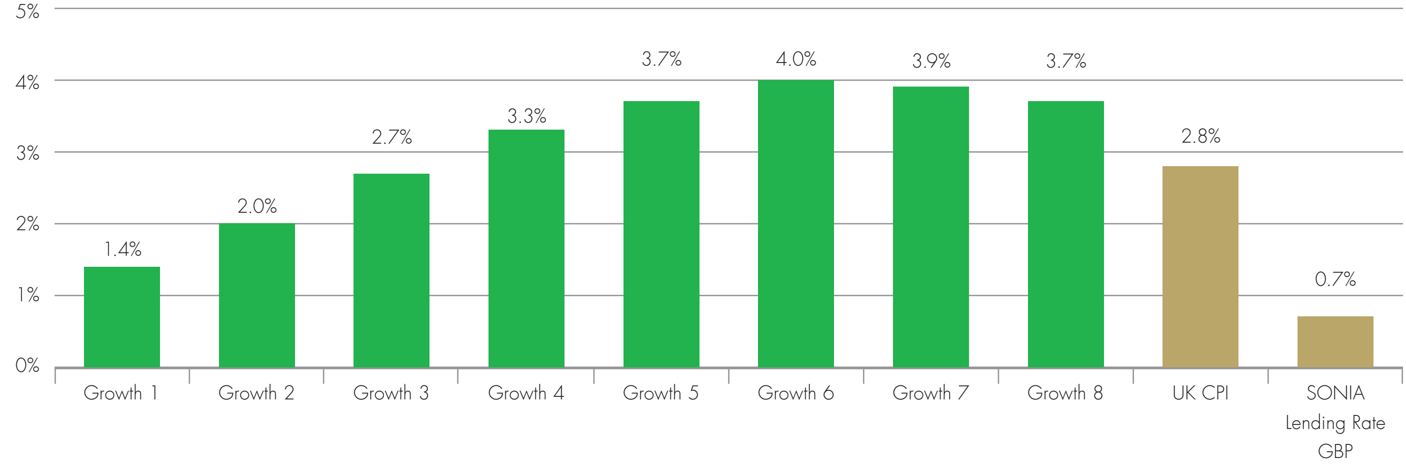
We believe the outlook for equities is also brighter after the sell-offs seen in 2022. We are gradually raising exposure to the asset class, although we will remain within our 'neutral' model limits in the near term. There is still some uncertainty with respect to interest rate policies and the strength of the global economy, but investor sentiment is recovering.

There were positive performances from most equity holdings, with European and Asia ex-Japan equities providing the most significant contributions. Notable performers in these sectors included Barings Europe Select, JOHCM Continental European, BlackRock European Dynamic and Fidelity Index Pacific ex Japan. Exposure to North American equities was mixed, with value performing well but growth – and especially smaller companies – dampening performance. Artemis US Smaller Companies was a significant detractor and AB American Growth also weighed. North American equities contributed significantly to performance over the second half of 2022, however.

Our emerging markets equity exposure was a positive contributor after having weighed on performance in Q3, when the sector struggled on the strengthening US dollar and slowing global economic growth. A strong dollar is particularly problematic for emerging markets because it raises the cost of their imports and debt repayments and they may have to raise domestic interest rates to stem outflows of capital. Our best performers in this sector over the quarter included Artemis SmartGARP Global Emerging Markets and Fidelity Index Emerging Markets.

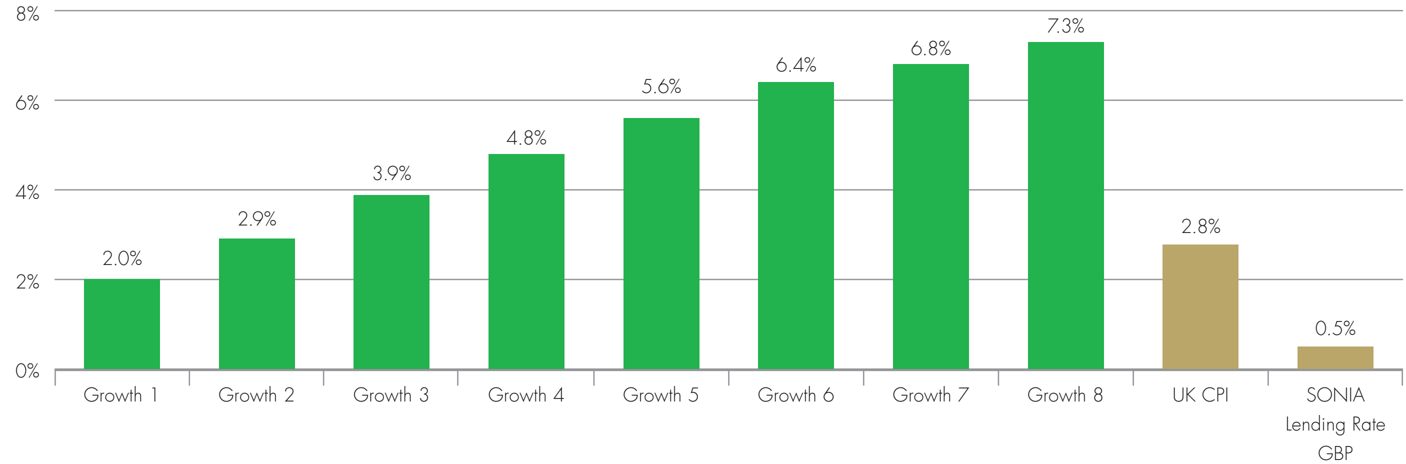
Within fixed income, the outstanding performer was Polar Capital Global Convertible. Other bond sectors were flat to positive except for emerging market bonds, which weighed slightly through L&G Emerging Markets Government Bond Index. Developed market high yield and investment grade bonds were significantly positive contributors.

MPS Growth Portfolios: Q4 2022



Source: Morningstar, Liontrust, 31.12.22. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns. Note: CPI = Consumer Price Index (Bank of England current CPI target is 2%). CPI and SONIA are used to reflect returns from inflation and cash, and are not formal performance comparators for the portfolios.

MPS Growth Portfolios: Annualised returns since inception



Source: Morningstar, Liontrust. The above graph is based on data from 31.05.14 to 31.12.22. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns. Note: CPI = Consumer Price Index (Bank of England current CPI target is 2%). CPI and SONIA are used to reflect returns from inflation and cash, and are not formal performance comparators for the portfolios. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

MPS Income

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Following the historic sell-off of fixed income in 2022, we are gradually becoming more interested in the asset class. Having been underweight the asset class for some time, we are now becoming more positive towards it and especially with regards to the global high yield (HY) market. This reflects our view that the spread-widening being seen in this market, combined with drifts up in benchmark sovereign yields, makes the asset class attractive on a risk-return basis.

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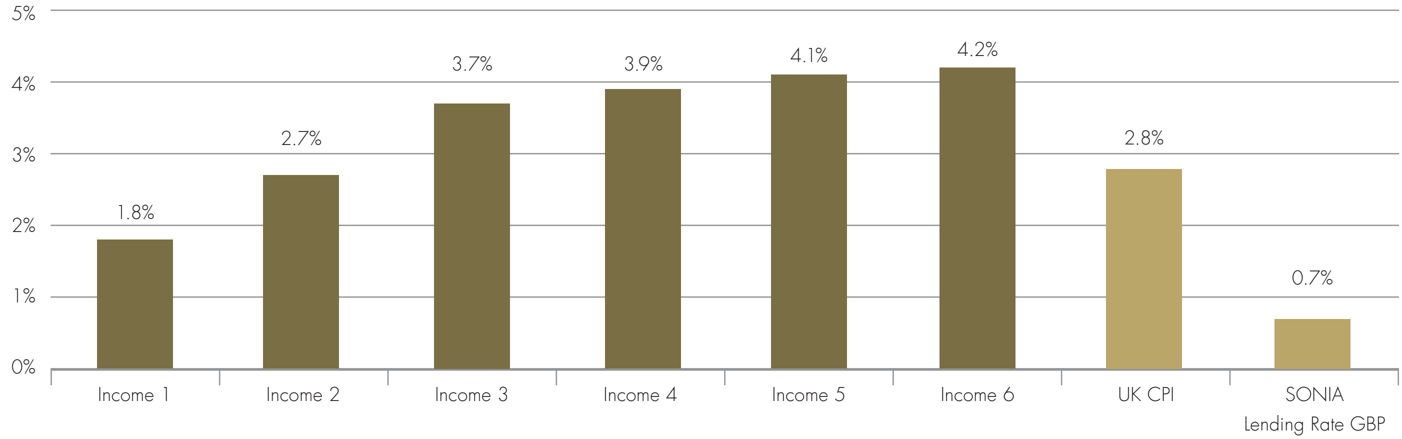
There were positive performances from most equity holdings, with the strongest contributions provided by holdings in UK and European equities. Leading contributors to performance included Schroder Income Maximiser and JOHCM UK Dynamic. Exposure to North American smaller companies detracted the most from performance, with Artemis US Smaller Companies being our weakest performer. North American equities contributed significantly to performance over the second half of 2022, however.

On the fixed income side, global convertible, developed market high yield and investment grade bonds provided positive contributions, with Polar Capital Global Convertible providing the most notable performance. Emerging market bonds weighed slightly on performance through L&G Emerging Market Government Bond Index.

MPS Income Portfolios: Q4 2022



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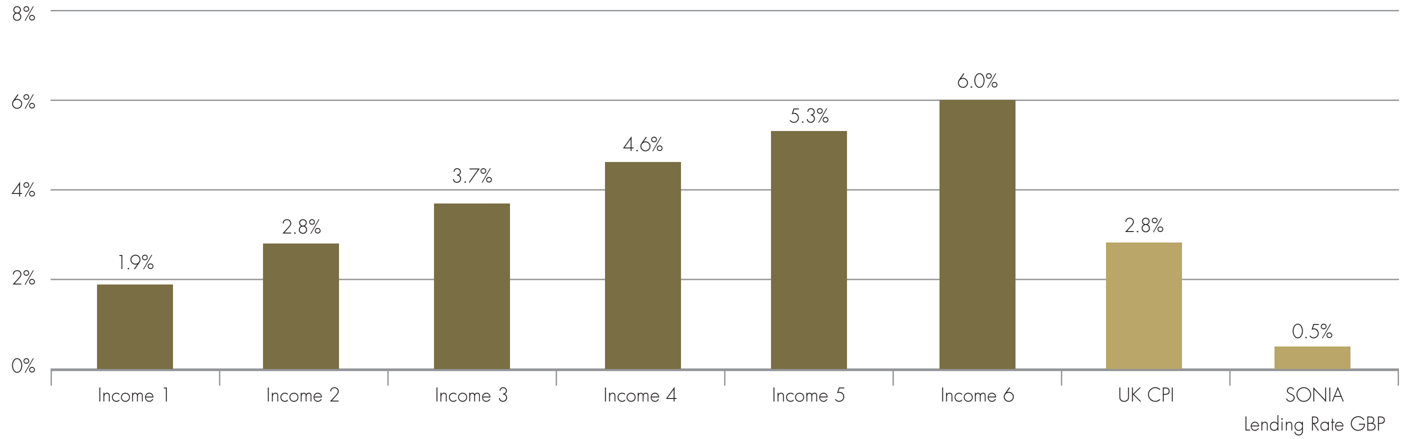
MPS Income Portfolios: Annualised returns since inception



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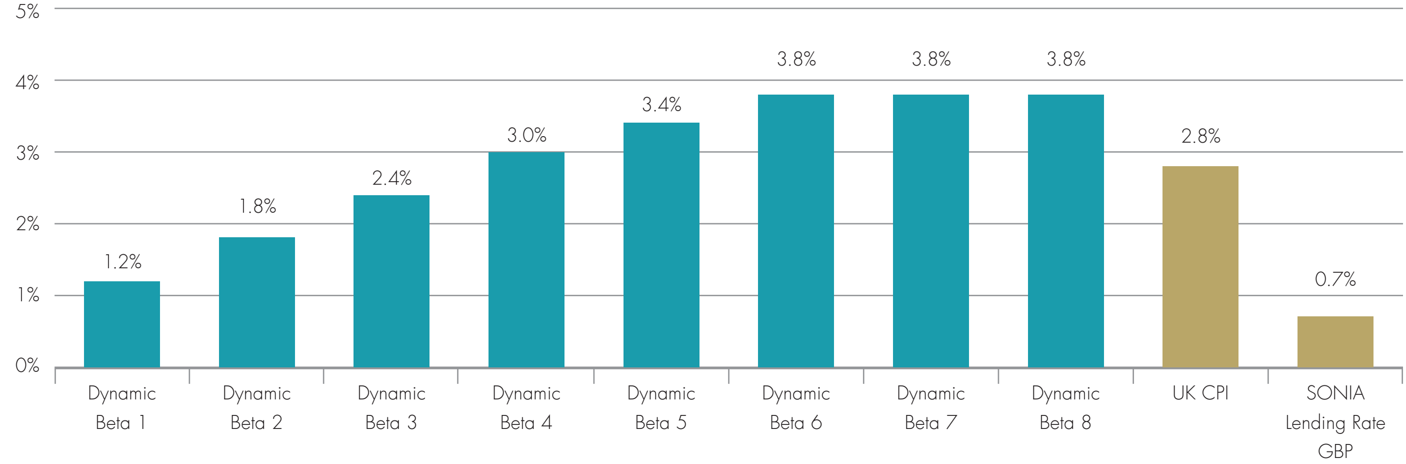
We believe the outlook for equities is also brighter after the sell-offs seen in 2022. We are gradually raising exposure to the asset class, although we will remain within our 'neutral' model limits in the near term. There is still some uncertainty with respect to interest rate policies and the strength of the global economy, but investor sentiment is recovering.

Our emerging markets equity exposure via Fidelity Index Emerging Markets was a minor positive after having weighed on performance in Q3, when the sector struggled on the strengthening US dollar and slowing global economic growth. A strong dollar is particularly problematic for emerging markets because it raises the cost of their imports and debt repayments and they may have to raise domestic interest rates to stem outflows of capital.

The strongest asset class contributor to performance was European equities, including smaller companies, while Asia ex-Japan and UK equities also made substantial contributions. Prominent performers in these sectors included Fidelity Index Europe ex UK, Barings Europe Select, Fidelity Index ex Japan and Fidelity Index UK. Exposure to US equities generally, but especially smaller companies, detracted the most from performance, with Artemis US Smaller Companies and Fidelity Index US weighing on returns. North American equities contributed significantly to performance over the second half of 2022, however.

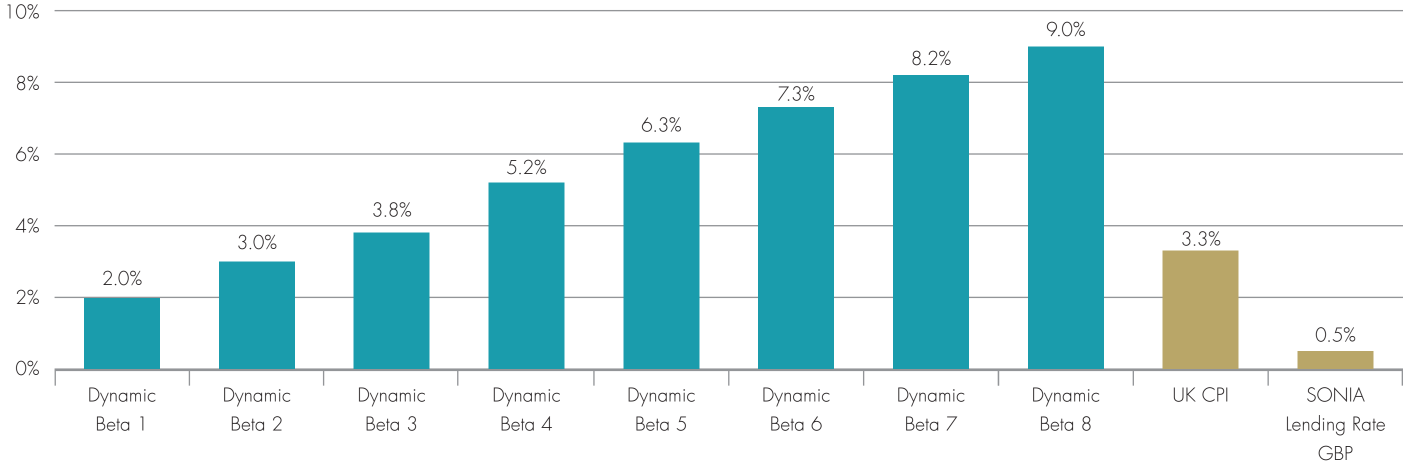
On the fixed income side, global convertible bonds delivered the most significant returns through Polar Capital Global Convertible, although L&G Active Global High Yield Bond made a significant contribution to performance in the lower risk portfolios. L&G Emerging Markets Government Bond Index was a slight detractor from performance.

MPS Dynamic Beta Portfolios: Q4 2022



Source: Morningstar, Liontrust, 31.12.22. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns. Note: CPI = Consumer Price Index (Bank of England current CPI target is 2%). CPI and SONIA are used to reflect returns from inflation and cash, and are not formal performance comparators for the portfolios.

MPS Dynamic Beta Portfolios: Annualised returns since inception



Source: Morningstar, Liontrust. The above graph is based on data from 30.09.15 to 31.12.22. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns. Note: CPI = Consumer Price Index (Bank of England current CPI target is 2%). CPI and SONIA are used to reflect returns from inflation and cash, and are not formal performance comparators for the portfolios. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

MA Active

All our funds delivered positive returns over Q4 2022 as equities, bonds and commodities broadly recovered some of the losses they incurred earlier in the year. Good news was still rare but investor sentiment was becoming less gloomy about central banks' aggressive interest rate hikes amid signs that inflationary pressures could be easing.

The broad recovery proved to be beneficial for our portfolios given their diversified exposure. The benefits of diversification had been noticeably absent for most of 2022 as equities and bonds fell in tandem. Bonds would normally be expected to provide defensive support during equity sell-offs, but they weighed heavily on performance for much of last year in the face of sharply rising interest rates. However, our portfolios reaped rewards from across the asset classes in Q4.

Following the historic sell-off of fixed income in 2022, we are gradually becoming more interested in the asset class. Having been underweight the asset class for some time, we are now becoming more positive towards it and especially with regards to the global high yield (HY) market. This reflects our view that the spread-widening being seen in this market, combined with drifts up in benchmark sovereign yields, makes the asset class attractive on a risk-return basis.

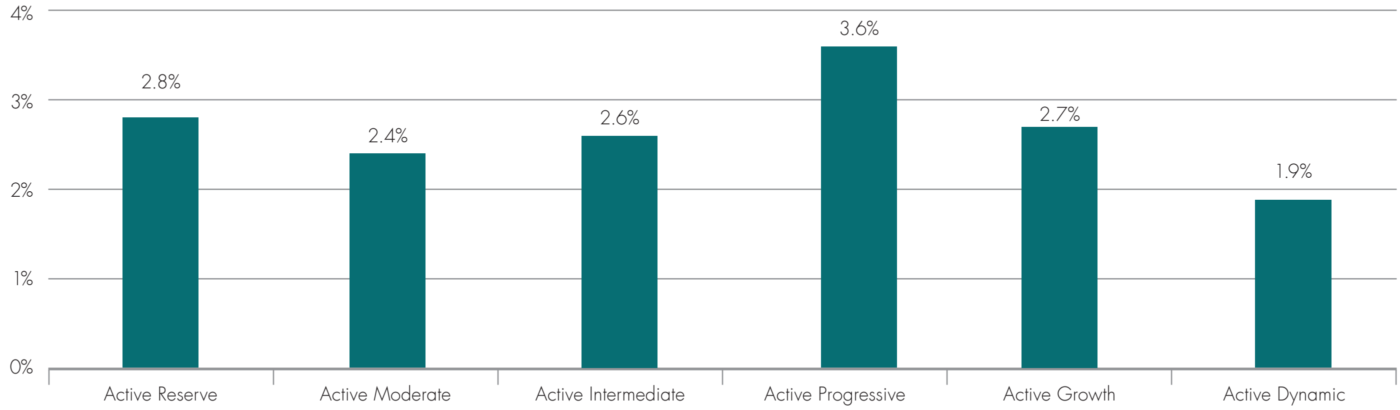
We believe the outlook for equities is also brighter after the sell-offs seen in 2022. We are gradually raising exposure to the asset class, although we will remain within our 'neutral' model limits in the near term. There is still some uncertainty with respect to interest rate policies and the strength of the global economy, but investor sentiment is recovering.

Our emerging market equities exposure was flat to positive after having weighed on performance in Q3, when the sector struggled on the strengthening US dollar and slowing global economic growth. A strong dollar is particularly problematic for emerging markets because it raises the cost of their imports and debt repayments and they may have to raise domestic interest rates to stem outflows of capital. Our best performer in the sector was Federated Hermes Global Emerging Markets.

North American Equity was the only equity sector in negative territory this quarter after having been the strongest performer in Q3. AB American Growth and Ossiam Shiller Barclay CAPE US Sector Value were the main detractors from performance here. However, over the second half of 2022, North American Equity was an overall positive contributor to performance. Exposure to UK equities provided the strongest contribution in both equities and overall, with Europe ex-UK and Japan equities providing good support. Funds that contributed the most to performance in these sectors included Liontrust UK Equity, JO Hambro UK Dynamic, BlackRock European Dynamic and Man GLG Japan Core Alpha.

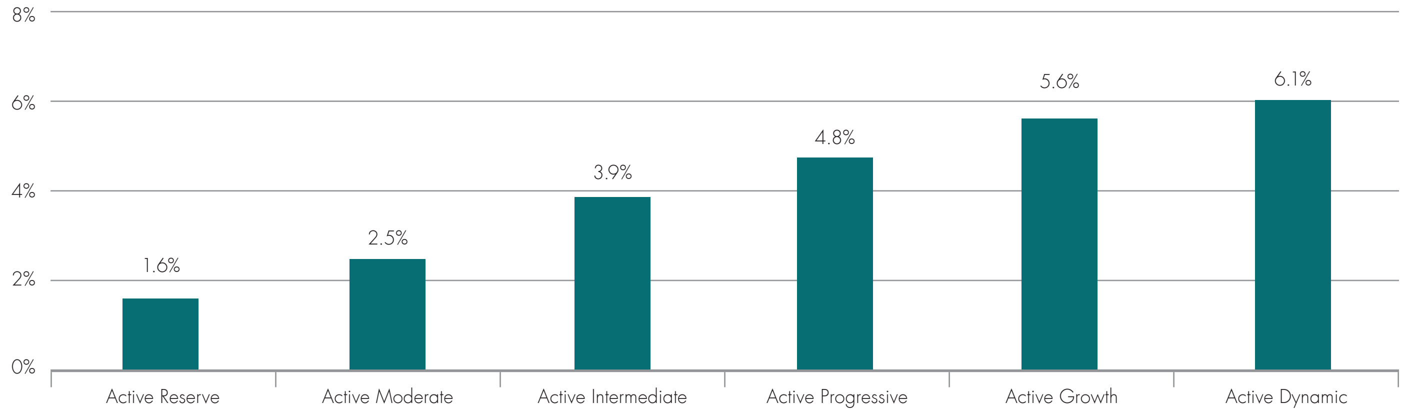
Within fixed income, corporate and government bonds provided positive returns while global government bonds were marginally negative. Liontrust Sustainable Future Corporate Bond was a notable performer while iShares Overseas Government Bond Index weighed the most.

MA Active funds: Q4 2022



Source: FE Analytics, as at 31.12.22. Primary share class, total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance

MA Active funds: Annualised returns since inception



Source: FE Analytics, as at 31.12.22. Performance is from 10.04.07 to provide a single inception point but some of the funds launched before that date. Primary share class, total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

MA Blended

All our funds delivered positive returns over Q4 2022 as equities, bonds and commodities broadly recovered some of the losses they incurred earlier in the year. Good news was still rare but investor sentiment was becoming less gloomy about central banks' aggressive interest rate hikes amid signs that inflationary pressures could be easing.

The broad recovery proved to be beneficial for our portfolios given their diversified exposure. The benefits of diversification had been noticeably absent for most of 2022 as equities and bonds fell in tandem. Bonds would normally be expected to provide defensive support during equity sell-offs, but they weighed heavily on performance for much of last year in the face of sharply rising interest rates. However, our portfolios reaped rewards from across the asset classes in Q4.

Following the historic sell-off of fixed income in 2022, we are gradually becoming more interested in the asset class. Having been underweight the asset class for some time, we are now becoming more positive towards it and especially with regards to the global high yield (HY) market. This reflects our view that the spread-widening being seen in this market, combined with drifts up in benchmark sovereign yields, makes the asset class attractive on a risk-return basis.

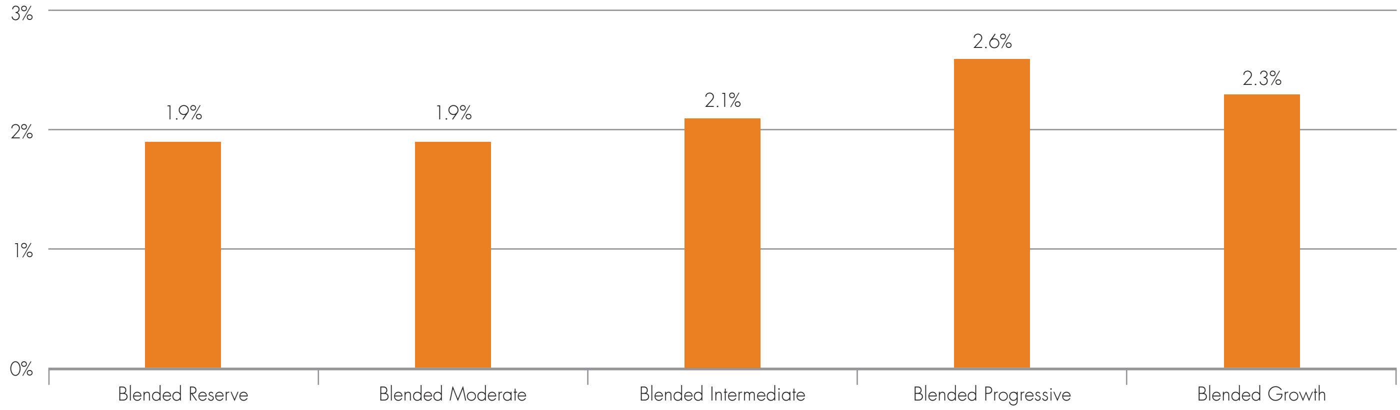
We believe the outlook for equities is also brighter after the sell-offs seen in 2022. We are gradually raising exposure to the asset class, although we will remain within our 'neutral' model limits in the near term. There is still some uncertainty with respect to interest rate policies and the strength of the global economy, but investor sentiment is recovering.

Our emerging market equities exposure was slightly negative after having weighed on performance in Q3, when the sector struggled on the strengthening US dollar and slowing global economic growth. A strong dollar is particularly problematic for emerging markets because it raises the cost of their imports and debt repayments and they may have to raise domestic interest rates to stem outflows of capital. There was a positive contribution from L&G Emerging Markets Equity Index but returns from the sector were dampened by Vontobel mtx Sustainable Emerging Markets Leaders.

North American Equity was also in negative territory this quarter after having been the strongest performer in Q3. This was largely due to declines in growth stocks, with L&G US Index and AB American Growth detracting the most from performance. However, over the second half of 2022, North American Equity was an overall positive contributor to performance. Exposure to UK equities provided the strongest contribution in both equities and overall, with Europe ex-UK, Japan and Developed Asia equities providing support. Funds that performed particularly well included iShares UK Equity Index, Liontrust UK Equity, BlackRock European Dynamic, iShares Japan Equity Index and L&G Pacific Index.

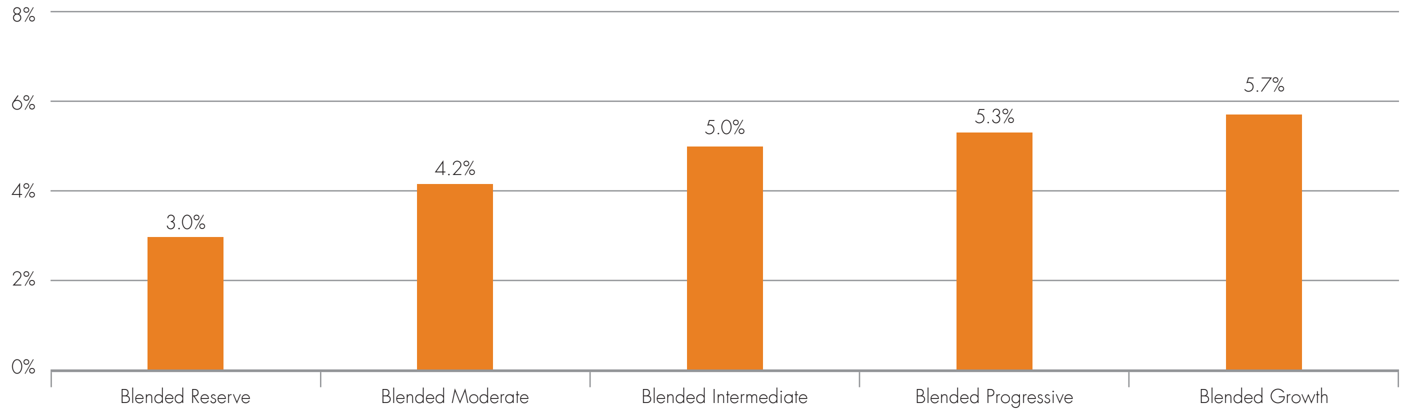
Within fixed income, UK corporate and government bonds provided the most significant returns while global government bonds weighed on performance. Outperformers included iShares Corporate Bond Index and iShares UK Gilt All Stock Index while iShares Overseas Government Bond Index was the key detractor.

MA Blended funds: Q4 2022



Source: FE Analytics, as at 31.12.22. Primary share class, total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance

MA Blended funds: Annualised returns since inception



Source: FE Analytics, as at 31.12.22. Performance is from 07.04.03 to provide a single inception point but some of the funds launched before that date. Primary share class, total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

MA Passive

All our funds delivered positive returns over Q4 2022 as equities, bonds and commodities broadly recovered some of the losses they incurred earlier in the year. Good news was still rare but investor sentiment was becoming less gloomy about central banks' aggressive interest rate hikes amid signs that inflationary pressures could be easing.

The broad recovery proved to be beneficial for our portfolios given their diversified exposure. The benefits of diversification had been noticeably absent for most of 2022 as equities and bonds fell in tandem. Bonds would normally be expected to provide defensive support during equity sell-offs, but they weighed heavily on performance for much of last year in the face of sharply rising interest rates. However, our portfolios reaped rewards from across the asset classes in Q4.

Following the historic sell-off of fixed income in 2022, we are gradually becoming more interested in the asset class. Having been underweight the asset class for some time, we are now becoming more positive towards it and especially with regards to the global high yield (HY) market. This reflects our view that the spread-widening being seen in this market, combined with drifts up in benchmark sovereign yields, makes the asset class attractive on a risk-return basis.

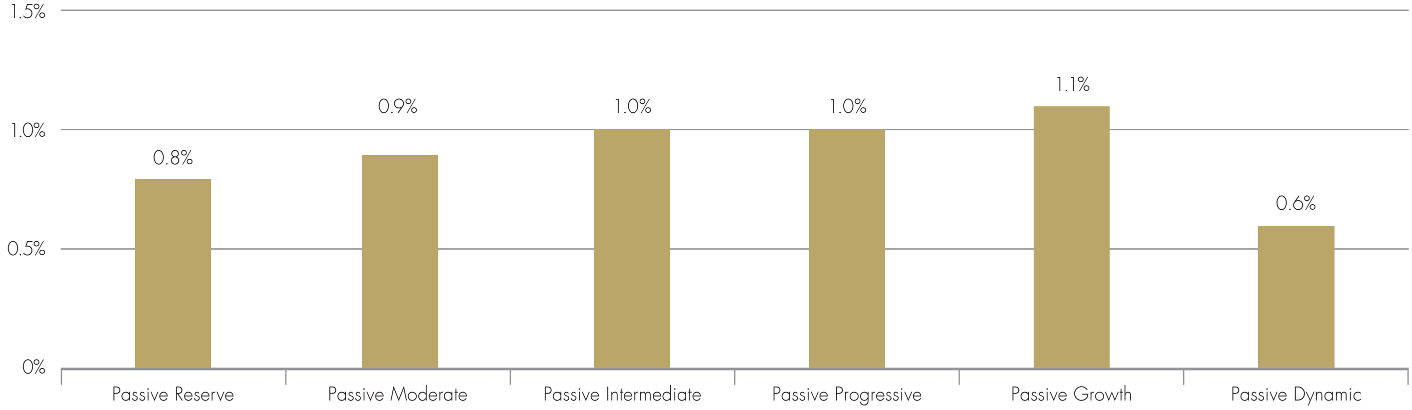
We believe the outlook for equities is also brighter after the sell-offs seen in 2022. We are gradually raising exposure to the asset class, although we will remain within our 'neutral' model limits in the near term. There is still some uncertainty with respect to interest rate policies and the strength of the global economy, but investor sentiment is recovering.

Our emerging market equities exposure was flat after having weighed on performance in Q3, when the sector struggled on the strengthening US dollar and slowing global economic growth. A strong dollar is particularly problematic for emerging markets because it raises the cost of their imports and debt repayments and they may have to raise domestic interest rates to stem outflows of capital. Our two holdings in this sector, including Legal & General Emerging Market Equity Index and iShares Emerging Markets Equity Index, were both positive over the quarter.

North American Equity was also in negative territory this quarter after having been the strongest performer in Q3. This was largely due to declines in growth stocks, with both funds providing exposure to the sector, including L&G US Index and HSBC American Index, delivering negative returns. However, over the second half of 2022, North American Equity was an overall positive contributor to performance. Exposure to UK equities provided the strongest contribution in both equities and overall, with Europe ex-UK, Japan and Developed Asia equities providing support. L&G UK Index and iShares UK Equity Index both provided strong positive returns.

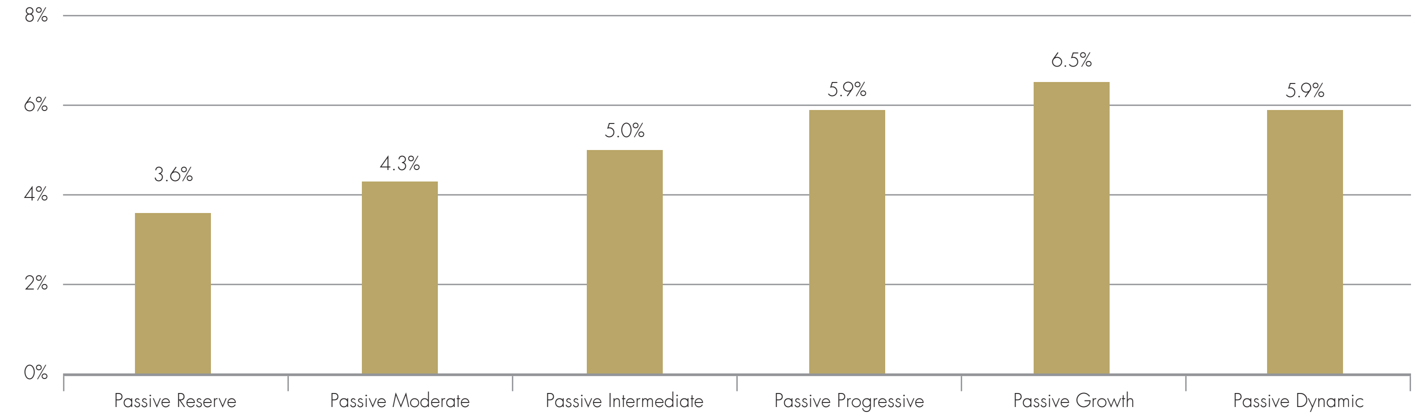
Within fixed income, UK corporate and government bonds provided the most significant returns while global government bonds weighed on performance. iShares Corporate Bond Index was the notable performer while iShares Overseas Government Bond Index weighed significantly.

MA Passive funds: Q4 2022



Source: FE Analytics, as at 31.12.22. Primary share class, total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance

MA Passive funds: Annualised returns since inception



Source: FE Analytics, as at 31.12.22. Performance is from 08.03.11 to provide a single inception point but some of the funds launched before that date. Primary share class, total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

Discrete performance for MPS Growth

	Year 1 01/01/2018 to 31/12/2018	Year 2 01/01/2019 to 31/12/2019	Year 3 01/01/2020 to 31/12/2020	Year 4 01/01/2021 to 31/12/2021	Year 5 01/01/2022 to 31/12/2022
Liontrust MPS Growth 1	-2.0	6.3	2.8	3.4	-6.2
Liontrust MPS Growth 2	-2.9	9.6	3.8	5.1	-9.3
Liontrust MPS Growth 3	-3.9	13.0	4.7	6.8	-12.3
Liontrust MPS Growth 4	-5.2	14.3	5.5	8.7	-11.6
Liontrust MPS Growth 5	-6.2	15.2	6.0	10.1	-11.2
Liontrust MPS Growth 6	-7.2	16.0	6.8	11.4	-10.7
Liontrust MPS Growth 7	-7.6	16.0	8.9	10.2	-10.4
Liontrust MPS Growth 8	-7.9	15.8	11.1	9.1	-10.2

Source: Morningstar, Liontrust, 31.12.22. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns. Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.

Discrete performance for MPS Income

	Year 1 01/01/2018 to 31/12/2018	Year 2 01/01/2019 to 31/12/2019	Year 3 01/01/2020 to 31/12/2020	Year 4 01/01/2021 to 31/12/2021	Year 5 01/01/2022 to 31/12/2022
Liontrust MPS Income 1	-1.6	5.6	1.4	3.8	-4.8
Liontrust MPS Income 2	-2.4	8.5	1.9	5.8	-7.2
Liontrust MPS Income 3	-3.2	11.5	2.2	7.8	-9.5
Liontrust MPS Income 4	-4.3	12.9	3.3	9.1	-8.9
Liontrust MPS Income 5	-5.3	14.0	3.9	10.0	-8.5
Liontrust MPS Income 6	-6.2	15.0	4.6	10.9	-8.1

Source: Morningstar, Liontrust, 31.12.22. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

Discrete performance for MPS Dynamic Beta

	Year 1 01/01/2018 to 31/12/2018	Year 2 01/01/2019 to 31/12/2019	Year 3 01/01/2020 to 31/12/2020	Year 4 01/01/2021 to 31/12/2021	Year 5 01/01/2022 to 31/12/2022
Liontrust MPS Dynamic Beta 1	-1.8	5.7	2.7	3.1	-5.7
Liontrust MPS Dynamic Beta 2	-2.7	8.6	4.0	4.8	-8.6
Liontrust MPS Dynamic Beta 3	-3.7	11.6	4.9	6.3	-11.4
Liontrust MPS Dynamic Beta 4	-4.6	13.3	5.5	7.5	-10.3
Liontrust MPS Dynamic Beta 5	-5.3	14.6	6.0	8.5	-9.5
Liontrust MPS Dynamic Beta 6	-6.0	15.8	6.2	9.4	-8.7
Liontrust MPS Dynamic Beta 7	-6.4	16.4	8.7	7.7	-7.7
Liontrust MPS Dynamic Beta 8	-6.9	16.8	11.0	6.0	-6.6

Source: Morningstar, Liontrust, 31.12.22. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns. Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.

Discrete performance for MA Active

	Year 1 01/01/2018 to 31/12/2018	Year 2 01/01/2019 to 31/12/2019	Year 3 01/01/2020 to 31/12/2020	Year 4 01/01/2021 to 31/12/2021	Year 5 01/01/2022 to 31/12/2022
Liontrust MA Active Reserve Fund S Acc	-0.7	5.4	2.8	0.4	-17.2
Liontrust MA Active Moderate Income Fund S Acc	-3.7	9.8	6.6	1.6	-18.1
Liontrust MA Active Intermediate Income Fund S Acc	-4.3	13.4	6.8	7.3	-14.2
Liontrust MA Active Progressive Fund S Acc	-5.2	16.1	5.7	10.8	-13.8
Liontrust MA Active Growth Fund S Acc	-7.0	18.9	6.4	13.2	-11.8
Liontrust MA Active Dynamic Fund S Acc	-9.7	19.1	10.5	12.7	-11.6

Source: FE Analytics, as at 31.12.22. Total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

Discrete performance for MA Blended

	Year 1 01/01/2018 to 31/12/2018	Year 2 01/01/2019 to 31/12/2019	Year 3 01/01/2020 to 31/12/2020	Year 4 01/01/2021 to 31/12/2021	Year 5 01/01/2022 to 31/12/2022
Liontrust MA Blended Reserve Fund S Acc	-2.2	8.9	4.7	1.7	-16.4
Liontrust MA Blended Moderate Fund S Acc	-3.2	11.3	4.4	5.7	-14.8
Liontrust MA Blended Intermediate Fund S Acc	-3.6	13.0	3.8	8.7	-12.9
Liontrust MA Blended Progressive Fund S Acc	-4.4	15.4	3.1	11.3	-11.3
Liontrust MA Blended Growth Fund S Acc	-6.6	19.2	3.2	14.2	-9.2

Source: FE Analytics, as at 31.12.22. Total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance. Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.

Discrete performance for MA Passive

	Year 1 01/01/2018 to 31/12/2018	Year 2 01/01/2019 to 31/12/2019	Year 3 01/01/2020 to 31/12/2020	Year 4 01/01/2021 to 31/12/2021	Year 5 01/01/2022 to 31/12/2022
Liontrust MA Passive Reserve Fund S Acc	-1.2	10.8	6.3	2.9	-15.2
Liontrust MA Passive Moderate Fund S Acc	-1.7	12.3	5.3	4.9	-13.6
Liontrust MA Passive Intermediate Fund S Acc	-2.4	13.9	4.7	7.7	-11.1
Liontrust MA Passive Progressive Fund S Acc	-3.2	16.9	3.3	10.7	-8.8
Liontrust MA Passive Growth Fund S Acc	-4.3	19.8	3.1	13.9	-6.8
Liontrust MA Passive Dynamic Fund S Acc	-6.3	20.3	6.3	14.1	-6.6

Source: FE Analytics, as at 31.12.22. Total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance. **Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to page 36 for more information.**

Who to contact for more information

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Key risks

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.

Some of the Funds and Model Portfolios managed by the Multi-Asset Team have exposure to foreign currencies and may be subject to fluctuations in value due to movements in exchange rates. The majority of the Funds and Model Portfolios invest in Fixed Income securities indirectly through collective investment schemes. The value of fixed income securities will fall if the issuer is unable to repay its debt or has its credit rating reduced. Generally, the higher the perceived credit risk of the issuer, the higher the rate of interest. Bond markets may be subject to reduced liquidity. Some Funds may have exposure to property via collective investment schemes. Property funds may be more difficult to value objectively so may be incorrectly priced, and may at times be harder to sell. This could lead to reduced liquidity in the Fund. Some Funds and Model Portfolios also invest in non-mainstream (alternative) assets indirectly through collective investment schemes. During periods of stressed market conditions non-mainstream (alternative) assets may be difficult to sell at a fair price, which may cause prices to fluctuate more sharply.

The issue of units/shares in the Liontrust Multi-Asset 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.

For the Multi-Asset Model Portfolios, any performance shown represents model portfolios which are periodically restructured and/or rebalanced. Actual returns may vary from the model returns. There is no certainty the investment objectives of the portfolio will actually be achieved, and no warranty or representation is given to this effect, whether express or implied. The portfolios therefore should be considered as long-term investments.

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