



This is a marketing communication

Liontrust GF European Smaller Companies Fund

September 2022 review

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The Fund's A3 share class returned -7.9%* in euro terms in September. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -10.9%.

In the second hike of its tightening cycle, the European Central Bank opted for a larger move of 75 basis points, taking its deposit rate to 0.75%. ECB President Christine Lagarde commented that there would be several further rate rises as it looks to bring inflation back towards its 2% target. With eurozone CPI still sitting at 9.1% in August, markets are currently pricing in a peak policy rate of 2.5%.

The US Federal Reserve lifted rates by the same margin, taking them to a target range of 3.0% to 3.25%. Coming in the aftermath of a higher-than-expected inflation reading of 8.3%, the decision was accompanied by comments from Fed Chair Jay Powell on the necessity for further hikes and the likelihood of economic slowdown.

Global geopolitical tensions remained extremely elevated, with Putin beginning the process of annexing four regions in south-east Ukraine following referenda which were internationally condemned as illegitimate. This volatile backdrop and the prospect of more aggressive monetary tightening prompted a bout of risk aversion that ensured all sectors of the MSCI Europe index finished the month in negative territory.

Real estate (-17%) fell the most, with its UK constituents not helped by a UK government 'mini-budget' that was seen as damaging to the economy and property sector in particular after the Bank of England suggested the fiscal stimulus would trigger more rate rises to keep inflation in check. It was later forced to intervene in gilt markets, restarting buying operations after yields rose dramatically to cause a liquidity crisis for many pension funds. Within the Fund, **Vistry Group** (-25%) and **Rightmove** (-21%) were directly affected by forecasts of reduced UK property market activity as mortgage rates jumped.

Communication services (-11%), utilities (-9.1%), IT (-8.1%) and consumer discretionary (-7.9%) sectors all fell heavily amid broad-based weakness.

The overarching risk-off tone to markets ensured that the portfolio's return profile in September was heavily influenced by top-down factors, with company newsflow taking secondary importance. Cyclical stocks had a particularly tough time, with Danish jeweller **Pandora** (-20%), UK promotional merchandise distributor **4imprint Group** (-12%) and UK high street retailer **WH Smith** (-18%) among the weakest holdings.

With interest rate expectations moving higher over the month, the Fund's financials showed some relative strength. **Bankinter** (+14%) and **Bank of Ireland** (+6.9%) were the top performers; only last month, Bank of Ireland upgraded its net interest income guidance based on higher benchmark interest rates. There were also good gains for **Societe BIC** (+15%), the French manufacturer of a range of consumer staples such as pens, razors and lighters.

Positive contributors to performance included:

Societe BIC (+15%), Bankinter (+14%) and Bank of Ireland (+6.9%).

Negative contributors to performance included:

Vistry Group (-25%), Rightmove (-21%), and Pandora (-20%).

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

Past performance does not predict future returns

	Sep-22	Sep-21	Sep-20	Sep-19	Sep-18
Liontrust GF European Smaller Companies A3 Acc EUR	-20.7%	59.1%	-1.9%	-6.7%	2.0%
MSCI Europe Small Cap	-26.9%	38.0%	0.2%	-1.8%	3.4%

*Source: Financial Express, as at 30.09.22, total return (net of fees and income reinvested).

**Source: Financial Express, as at 30.09.22, total return (net of fees and income reinvested). Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (01.02.17). Investment decisions should not be based on short-term performance.

A Performance Fee for each Performance Period shall be equal to 10% of the amount, if any, by which the Net Asset Value before Performance Fee accrual of the Fund exceeds the Indexed Net Asset Value of the Fund on the last Business Day of the Performance Period. The Performance Period of the Fund is every 12 months ending on the last business day of each calendar year. Details of the Fund's performance fee in the last financial year can be found in the Key Investor Information Document (KIID) which can be obtained free of charge from the Liontrust website.

Key Features of the Liontrust GF European Smaller Companies Fund

Investment objective & policy ¹	The investment objective of the Fund is to achieve long term capital growth by investing primarily in European smaller companies. The Fund may invest in all economic sectors in all parts of the world, although it is intended it will invest primarily in equities and equity related derivatives (i.e. total return swaps, futures and embedded derivatives) in European companies (including the UK and Switzerland). The majority of the assets of the Fund (more than 85%) are expected to be invested in smaller companies (with a market capitalisation of less than 5 billion euros at the time of the initial investment). In normal conditions, the Fund will aim to hold a diversified portfolio, although at times the Investment Adviser may decide to hold a more concentrated portfolio, and it is possible that a
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	substantial portion of the Fund could be invested in cash or cash equivalents. The Fund may use FX forwards to hedge the Fund's currency exposures. The Fund has both Hedged and Unhedged share classes available. The Hedged share classes use forward foreign exchange contracts to protect returns in the base currency of the Fund.
Recommended investment horizon	5 years or more
Risk profile (SRRRI) ²	6
Active/passive investment style	Active
Benchmark	The Fund is considered to be actively managed in reference to MSCI Europe Small -Cap Index net total return (the "Benchmark") by virtue of the fact that it seeks to outperform the Benchmark. However 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 KIID of the fund; 2. SRRRI = Synthetic Risk and Reward Indicator. Please refer to the KIID for further detail on how this is calculated.

For a comprehensive list of common financial words and terms, see our glossary at: <https://www.liontrust.co.uk/glossary>.

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.

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.

The portfolio is invested in smaller companies - these stocks may be less liquid and the price swings greater than those in, for example, larger companies. Investment in the Fund involves a foreign currency and may be subject to fluctuations in value due to movements in exchange rates.

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