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Liontrust GF European Smaller Companies Fund

October 2022 review

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The Fund's A3 share class returned 5.2%* in euro terms in October. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned 7.0%.

The chance to focus on Q3 earnings season provided a welcome break from a fairly bleak geopolitical and macroeconomic backdrop. Although the UK political scene saw huge upheaval, European events were more muted by recent standards, with the European Central Bank's latest policy decision gaining most attention. However, the decision to enact a second consecutive hike of 75 basis points was as expected and priced in by markets.

With company newsflow to the fore, the MSCI Europe index was able to register a solid bounce from this year's losses. From a sector perspective, the market rally showed a cyclical tilt, with only consumer staples (-2.0%) in negative territory in sterling terms. Energy (+12%) was the biggest riser. After four consecutive down months, the oil price began edging back up towards \$100 a barrel again as Opec reduced its production target by 2 million barrels a day. Industrials (+10%), IT (+7.50%) and finance (+7.1%) also recorded large gains.

The batch of quarterly earnings releases had a mixed impact on the portfolio. Among the gainers, **Indivior** (+19%) rallied after the UK pharmaceuticals group raised full-year net revenue guidance when releasing Q3 results. Quarterly net revenue rose 24% to \$232m while operating profit increased 47% to \$56m. Its Sublocade treatment for opioid use disorder is growing rapidly, and exceeded \$100m in sales for the first time. It is strength in this product which drove the guidance upgrade, with net revenue for 2022 now expected to be \$890m – \$915m, up from \$840m – \$900m previously.

Rexel (+17%) upgraded 2022 financial guidance for the second time this year after sales growth accelerated in Q3 to 16% year-on-year on a same-day basis. This increase reflects a pass-through of rising production costs as well as 750 basis points of positive volume effect. The French distributor of electrical equipment says it is experiencing higher demand for electrification as a result of high energy prices. It has raised its full-year same-day sales growth guidance from 7% - 9% to around 12%, while its operating profit margin is expected to be 7.2% (compared with 6.7% previously).

Although **Société Bic's** (-11%) Q3 results also included upgraded full-year sales guidance (now expected to be 11% - 13% rather than 10% - 12%), its shares saw profit taking on evidence of some pressure on margins. Adjusted operating profit margins compressed to 11.3% from 17.2% a year ago, as its stationery division in particular was exposed to higher input costs.

Man Group's (-1.1%) alternative strategies generated 1.5% performance in the quarter to 30 September, insulating the impact of falling markets levels on its assets under management, with total investment performance amounting to -0.2%. However, a \$0.5bn net fund outflow and \$4.5bn negative currency impact pushed assets down further to \$138.4bn from \$142.3bn three months ago.

Positive contributors to performance included:

BW Offshore (+20%), Indivior (+19%) and Rexel (+17%).

Negative contributors to performance included:

Société Bic (-11%), Forterra (-4.5%) and Man Group (-1.1%).

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 31.10.22, 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
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	decide to hold a more concentrated portfolio, and it is possible that a 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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