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## Liontrust GF European Smaller Companies Fund

### December 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

**The Fund's A3 share class returned -0.1%\* in euro terms in December. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -2.5%.**

The primary financial markets narrative of 2022 remained intact in December, with the US Federal Reserve, Bank of England and European Central Bank all opting to raise interest rates by 50 basis points to combat inflationary forces.

Although in all three instances the margin of tightening has come down from 75 basis points at the prior policy meetings, the accompanying rhetoric remained hawkish. The ECB in particular made a point of warning against the expectation of an imminent pivot in rates, commenting that it expects "to raise interest rates at a 50 basis-point pace for a period of time".

The MSCI Europe Index lost 3.5% over December; its best performing sector was financials (+1.5%), buoyed by the prospect of higher rates. **Bank of Ireland** (+14%) issued a short statement lifting guidance for 2022 growth in net interest income from 6% - 7% to 10%. Similarly, **Ringkjøbing Landbobank** (+6.7%) upgraded its 2022 profit before tax guidance from Dkr1.55bn – 1.8bn to Dkr1.70 – 1.95bn, citing higher rates, growth in lending and low loan losses as drivers.

Pharmaceuticals group **Indivior** (+6.5%) also raised guidance at an investor presentation, stating that it now expects to achieve double-digit annual percentage growth in revenues in the medium-term. The growth is expected to be driven by its *Sublocade* treatment, which it now forecasts to hit a net revenue run rate of \$1bn by the end of 2025 and grow to a peak of around \$1.5bn.

**Serco Group** (-12%) slid early in the month but a mid-month trading update reassured on 2022 trading. Revenue is expected to be £4.5bn (up from prior guidance of £4.3bn - £4.4bn), with growth in other areas compensating for the loss of £480m in Covid-related revenues. Underlying trading profit is forecast to be £235m, up £5m on its former guidance. The public service contractor also indicated that 2023 underlying trading profit is expected to again be around £235m, in line with market consensus expectations.

**Positive contributors to performance included:**

Bank of Ireland (+14%), Bekaert (+7.4%) and Verallia (+8.8%)

**Negative contributors to performance included:**

Serco Group (-12%), Forterra (-10%) and Rightmove (-9.9%).

**Discrete years' performance\*\* (%), to previous quarter-end:**  
**Past performance does not predict future returns**

	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
Liontrust GF European Smaller Companies A3 Acc EUR	-17.3%	33.7%	7.4%	35.8%	-19.9%
MSCI Europe Small Cap	-22.5%	23.8%	4.6%	31.4%	-15.9%

\*Source: Financial Express, as at 31.12.22, total return (net of fees and income reinvested).

\*\*Source: Financial Express, as at 31.12.22, 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 <sup>1</sup>	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 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) <sup>2</sup>	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>.

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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.**

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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