

Liontrust Special Situations Fund

December 2022 review

Fund managers: Anthony Cross and Julian Fosh

The Liontrust Special Situations Fund returned -2.5%* in December. The FTSE All-Share Index comparator benchmark returned -1.4% and the average return in the IA UK All Companies sector, also a comparator benchmark, was -1.2%.

The FTSE All-Share Index's December decline took it close to a flat return for 2022 as a whole, registering a small 0.3% total return. In capital terms, stripping out the benefit of dividend income, the index fell 3.2%. As we observed a few times during the year, there was a large divergence in returns to different size segments of the market: the FTSE 100 total return for 2022 was 4.7%, but the mid-cap FTSE 250 lost 17.4% and the Small Cap index dropped 13.6%.

A slowing in the pace of US consumer price inflation in November to 7.1% – the lowest level in a year and below the 7.3% forecast – raised hopes of a US Federal Reserve pivot to less hawkish policy in 2023. However, as it lifted interest rates by 50 basis points to 4.25% - 4.5%, the US central bank issued forecasts of rates peaking at 5.1%, with no cuts projected until 2024.

Unfortunately, the Fund's biggest share price move in December was a negative one, as **Moonpig** (-31%) concluded a tough year with a heavy fall. The cost-of-living crisis has weighed on its shares for much of 2022 as investors fret over its exposure to weakening consumption. Interim results will have heightened these concerns after the online cards and gifts platform reported that new customer acquisition has decreased while customers have also traded down to cheaper gifts. In the six months to 31 October, Moonpig's revenue was flat at £143m, while adjusted profit before tax dropped 22% to £18.9m. Due to a deterioration in trading conditions in October and November, the company also downgraded its 2023 revenue guidance from £350m to £320m, although it maintains its EBITDA target as it plans cutbacks to marketing spending.

Elsewhere within the portfolio, company newsflow was more constructive. Intellectual property services group **RWS Holdings** (+14%) moved higher on the back of full-year results that were slightly ahead of expectations and included robust 2023 outlook comments. In the year to 30 September the company recorded 17% growth in adjusted profit before tax to £136m. While it is mindful of a challenging global economic backdrop, it expects to meet next year's consensus expectations for revenues of around £782m and adjusted operating profit of about £134m.

Integrafin (+5.6%) also made ground as it issued a solid set of results. In the year to 30 September the investment platform provider saw revenues rise 8% to £134m, with underlying profit before tax rising 1% to £65.8m.

The position in **EMIS Group** was sold ahead of completion of its £1.2bn takeover by US-based healthcare and insurance provider UnitedHealth Group. The stock became the fourth holding to exit the Fund in 2022 due to a takeover, following **Clipper Logistics**, **Ideagen** and **CareTech**.

Positive contributors included:

Haleon (+15%), RWS Holdings (+14%), Integrafin (+5.6%), TI Fluid Systems (+5.2%) and John Wood Group (+3.6%)

Negative contributors included:

Moonpig (-31%), Alpha Group International (-20%), Craneware (-16%), Savills (-12%) and Learning Technologies (-12%).

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 Special Situations I Inc	-11.2%	20.5%	-1.2%	21.6%	-2.1%
FTSE All Share	0.3%	18.3%	-9.8%	19.2%	-9.5%
IA UK All Companies	-9.1%	17.2%	-6.0%	22.2%	-11.2%
Quartile	3	1	1	3	1

*Source: Financial Express, as at 31.12.22, total return (net of fees and income reinvested), bid-to-bid, institutional class.

**Source: Financial Express, as at 31.12.22, 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.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.

A proportion of the portfolio is invested in smaller companies and companies traded on the Alternative Investment Market. These stocks may be less liquid and the price swings greater than those in, for example, larger companies.

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