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Liontrust GF European Smaller Companies Fund

February 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A3 share class returned 2.9%* in euro terms in February. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned 2.8%.

At the start of the month, the European Central Bank (ECB) confirmed expectations of a 50 basis point interest rate rise, taking the key rate to 2.5%. Following the rise, ECB president Christine Lagarde re-confirmed the Bank's intention to "stay the course in increasing interest rates significantly, at a steady pace", Lagarde continued with unusually firm language, explicitly stating its intention to hike rates by another 50 basis points in March.

In terms of sector returns for the period, the European market was led by energy (+5.9%), communication services (+5.3%), financials (+3.9%) and industrials (+3.8%) in euro terms. Materials (-2.9%) real estate (-2.4%) and IT (-0.3%) were among the laggards.

During a busy earnings period, **Pandora (**+18%) was among the top risers over the month as the Danish jewellery manufacturer and retailer posted Q4 sales of DKK9.9 billion, beating analysts' expectations. Q4 organic growth was 4% year on year and 19% when compared to the pre-pandemic Q4 in 2019.

Rexel (+16%), the French company specialising in the distribution of electrical, heating, lighting and plumbing equipment, noted strong performance over 2022, performing above the upgraded guidance it released in Q3. Most notably, sales for the year were up 14% from the previous, driven by accelerating electrification trends in Europe.

Verallia (+13%), the French manufacturer and supplier of glass packaging products, has performed very well since the announcement of Q3 results in October. The shares strengthened further in February after the release of 2022 results showing a 25% increase in revenues to €3.35bn and 28% growth in adjusted EBITDA to €3.35bn. the company expects positive market conditions to persist, piercing 2023 revenue growth of more than 20% and adjusted EBITDA of around €1bn.

Shares in pharmaceuticals company **Indivior** (-21%) fell sharply mid-month after the group revealed it had put aside $290m for ongoing litigation in the US, with the company stating the money was intended to cover "multidistrict antitrust class and state claims". In terms of its earnings release, Indivior posted a 14% increase in full-year revenues to $901m, with fourth-quarter revenues rising 9% to $241m.

French manufacturing **Société Bic** (-8.3%) experienced a sharp drop following the release of full-year and Q4 earnings. While Q4 profit margin came in below the average estimate, the company noted an upbeat FY23 sales and margin outlook, with sales growth forecasted to be between 5-7%.

Positive contributors to performance included:
Rexel (+16%), Pandora (+18%), Verallia (+13%)

Negative contributors to performance included:
Indivior (-21%), Société Bic (-8.3%), Strabag (7.2%)

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 28.02.22, 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[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 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 (SRRI)[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. SRRI = 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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