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Liontrust GF UK Growth Fund

April 2023 review

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The Liontrust GF UK Growth Fund returned 2.3%* in April. The Fund's comparator benchmark, the FTSE All-Share, returned 3.4%.

Stockmarkets continued their recovery from March's banking crisis, despite signs that confidence in US-based First Republic Bank had plummeted to levels that led to its collapse. Investors seemed content that systemic problems had been side-stepped through the swift action of regulators in the US and Europe. There was also increasing consensus around the view that the resulting tightening of lending conditions could stymy economic activity sufficiently to remove the need for many more central bank rate hikes.

Within the Fund, one of April's largest risers was pharmaceutical group **Indivior** (+10%). Having retraced some of their gains in February following a Q4 2022 update, Indivior shares resumed their upward trajectory after the company commented on Q1 conditions. Once again there was evidence of very strong growth for its *Sublocade* opioid addiction treatment – up 55% year-on-year. The drug now accounts for over half of Indivior's sales, and its rapid growth in recent years has compensated for a decline in sales for its *Suboxone* film, which has been vulnerable to generic competition since 2018. Indivior upgraded its 2023 net revenue forecast range from $950m - $1,020m to $970m - $1,040m because the launch of a fourth generic competitor to *Suboxone* in the US market is now expected to be delayed to later in the year.

John Wood Group (+13%) also rose strongly. The provider of consulting and engineering services to the energy and materials sectors has received several takeover proposals from private equity group Apollo this year. After rejecting the first four, it received a fifth and final cash proposal of 240p per share in April, an offer which prompted John Wood Group's board of directors to enter discussions; under the Takeover Code, a firm offer or withdrawal of interest is currently required by 17 May.

Also updating on Q1, **Reckitt Benckiser** (+6.3%) recorded like-for-like net revenue growth of 7.9%. With inflation still running at very high levels, the household products group successfully boosted revenues by 12 percentage points through price increases, which was partially countered by a smaller negative volume effect of 4.5%. Due to this strong start to the year, Reckitt upgraded its full-year like-for-like net revenue growth target to between 3% and 5%.

Consumer goods peer **Unilever** (+5.9%) is another to have driven sales through price increases. Its 10.7 percentage points of price hikes only resulted in a 0.2 percentage point negative volume effect, with Q1 underlying sales growth netting out at 10.5%. We believe that the intangible asset strengths which the Economic Advantage investment process explicitly seeks out should confer better than average pricing power upon the holdings in the Fund; these strong pricing updates from the consumer goods giants are welcome evidence of that pricing power coming through.

RWS Holdings (-15%) had already weakened in February after an AGM update warned that higher growth would be needed in the second six-months of the year in order to achieve full-year forecasts. It then downgraded this guidance within an interim trading statement after reduced levels of activity persisted. Compared with consensus analyst expectations of £133m, it now expects full-year profit before tax of closer to £128m. The intellectual property support services provider commented that certain clients have displayed slower decision making and softer activity levels. It is cutting some cost in reflection of these trends, but is also on the look-out for acquisitions that could accelerate its growth plans.

Renishaw (-12%) slid at the start of April after a research analyst initiated coverage of the stock with an underperform rating due to concerns over the near-term health of its end-markets, particularly the electronics and semiconductor sectors. The company confirmed some of these worries in a quarterly trading update which downgraded its full-year guidance. The specialist in high-tech precision measuring and calibration equipment now expects revenue of £680m to £700m (versus £690m to £730m previously) as subdued market conditions continue.

Overall, while there have inevitably been individual instances of stocks disappointing on short term earnings, we have been very encouraged by the trading resilience of the companies in the Fund, despite the wider macro economic challenges. By the end of April, over 60% of the Fund's holdings have reported an 'in line' set of numbers during the year to date, and, of the remaining companies, the prevalence of upgrades has been notably higher than downgrades.

Positive contributors included:
John Wood Group (+13%), Indivior (+10%), Shell (+6.2%), Reckitt Benckiser (+6.3%) and Coats Group (+8.0%).

Negative contributors included:
RWS Holdings (-15%), Renishaw (-12%), YouGov (-6.6%), Spirax-Sarco Engineering (-5.6%) and Paypoint (-3.4%).

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

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust GF UK Growth C3 Inst Acc GBP	3.3%	13.1%	23.5%	-13.5%	6.4%
FTSE All Share	2.9%	13.0%	26.7%	-18.5%	6.4%

	Mar-18	Mar-17	Mar-16
Liontrust GF UK Growth C3 Inst Acc GBP	2.0%	21.9%	1.9%
FTSE All Share	1.2%	22.0%	-3.9%

*Source: Financial Express, as at 30.04.2023, total return (net of fees and income reinvested), sterling terms, C3 institutional class. Non fund-related return data sourced from Bloomberg.
**Source: Financial Express, as at 31.03.2023, total return (net of fees and income reinvested), primary class. Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (03.09.14). Investment decisions should not be based on short-term performance.

Key Features of the Liontrust GF UK Growth Fund

Investment objective & policy[1]	The investment objective of the Fund is to provide long term capital growth by investing predominantly in UK equities. The Fund invests at least 80% in securities of companies traded on the UK and Irish stock exchanges. The Fund invests predominantly in UK large and mid-cap stocks.
Recommended investment horizon	5 years or more
Risk profile (SRRI)[2]	5
Active/passive investment style	Active
Benchmark	The Fund is considered to be actively managed in reference to the FTSE All Share Index (the “Benchmark”) by virtue of the fact that it uses the Benchmark for performance comparison purposes. 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.

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