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Liontrust GF European Smaller Companies Fund

July 2023 review

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The Fund's A3 share class returned 2.7%* in euro terms in July. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned 3.4%.

Global equity markets rallied in July, helped by expectations that a peak in monetary policy may finally be close. The big development in this regard was consumer price inflation data in the US which came in below expectations, raising hopes that this month's 25 basis point rise to a 5.25% - 5.50% range from the US Federal Reserve could be the last of this cycle.

While the Fed had previously paused its rate hike schedule in June and commented that future increases would be data dependent, the European Central Bank was slower to start its tightening cycle and has stayed relatively hawkish in its rhetoric until recently. As widely expected, the ECB raised rates by 0.25% to 3.75% in July, a level not reached since 2001. ECB president Christine Lagarde said that the bank is now keeping an open mind on the future direction of hikes, with the possibility of a hike or a pause in September. Markets are, however, betting that the peak in the European cycle has already been reached.

As sentiment picked up, the real estate sector led the MSCI Europe index's gain, posting an 11% rise, followed by materials (+5.1%), finance (+4.3%) and energy (+3.8%).

In a reversal of the year-to-date trend, technology was weak, losing 0.9%, while utilities (-0.4%) also lost a small amount of ground. So far this year, the technology sector has gained 25% in euro terms, the largest rise in the index.

Within the Fund glass packaging manufacturer **Verallia's** (+17%) shares moved higher on first-half results showing very strong growth and including an upgrade to guidance. Revenue growth of 31% to €2.1bn was entirely the result of an inflationary environment, as sales volumes declined slightly. Around a third of earnings over the period was attributable to Verallia increasing sales prices at a faster pace than production costs. Overall, adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) rose by more than 50% to €659m. The company reiterated its 2023 full-year revenue growth target of over 20% and increased its EBITDA guidance to €1.1bn - €1.25bn, up from €1.0bn previously.

Gaming group **Betsson** (+13%) moved higher on a quarterly trading update which refined revenue forecasts to €235.5m - €237.5m and lifted operating profit guidance to around €53.5m - €55.0m, representing growth of about 90% year-on-year. The company commented that the quarter has seen high customer activity in both casino and sports betting.

Although it maintained its 2023 guidance of 5% organic growth and 13% operating margin, **Ipsos** (-9.1%) shares lost ground after the release of interim results. The French market research company recorded -1.1% organic growth in the first half of the year, with operating margin of 8.7%. Although investors weren't convinced, Ipsos's confidence in full-year forecasts stems from the belief that this year will see a strong second-half weighting to trading. To justify this, Ipsos points towards a larger than normal lag between order intake and sales. The order book grew by 2.6% in organic terms over the period, and Ipsos expects this to feed through to sales growth in the second half of the year.

Shares in **4imprint Group** (-7.4%) have performed very well over the last year, outperforming the MSCI Europe Index by almost 90% in euro terms through to the end of June. They gave back a small amount of ground in July ahead of the release of a very strong trading update on 1 August which spurred further gains.

Positive contributors to performance included:

Verallia (+17%), Bper Banca (+13%) and Betsson (+13%).

Negative contributors to performance included:

Ipsos (-9.1%), 4imprint Group (-7.4%) and Playtech (-4.8%).

Discrete years' performance (%), to previous quarter-end:**

Past performance does not predict future returns

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust GF European Smaller Companies A3 Acc EUR	9.0%	-9.9%	59.6%	-10.7%	-2.4%
MSCI Europe Small Cap	6.7%	-17.7%	43.1%	-4.1%	-4.4%

	Jun-18
Liontrust GF European Smaller Companies A3 Acc EUR	2.3%
MSCI Europe Small Cap	9.8%

*Source: Financial Express, as at 31.07.23, total return (net of fees and income reinvested).

**Source: Financial Express, as at 30.06.23, 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. 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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