This is a marketing communication

Liontrust GF Special Situations Fund

July 2023 review

Fund managers: Anthony Cross and Julian Fosh

The Liontrust GF Special Situations Fund returned 1.9%* in July. The Fund's comparator benchmark, the FTSE All-Share, returned 2.6%.

Market gains were helped by some evidence of an easing in inflation. June data for the US consumer price index showed a retreat to 3.0% annual inflation, down from 4.0% in May and slightly below expectations for a 3.1% rate.

The US Federal Reserve had been on record as saying further interest rate rises should be expected after the pause in its tightening cycle in June, and the 0.25% hike delivered in July had been entirely priced in by markets. The outlook from here is less certain; with the Fed now saying that future rises will be data-dependant, many have taken the easing in inflation data as a sign that rates have already reached their peak at a 5.25% - 5.50% range.

The pattern was the same in the UK, albeit at a higher inflation level. June's data showed a 7.0% annual rise in consumer prices, well below the expected 8.2% rate and down from 8.7% last month. With inflation still well above the Bank of England's 2% target, at least two more quarter-point rises are currently priced into futures markets.

These macroeconomic developments presented a relatively benign backdrop for equity markets, allowing investors to focus on a busy month of company earnings updates.

While **PageGroup's** (+11%) Q2 trading update showed its exposure to slowing economic conditions, investors were relatively encouraged by the statement. Falling confidence among job candidates and hiring firms saw delays in decision making and more reluctance to accept job offers. The recruiter's gross profit fell 6.5% year-on-year against the record level it achieved in Q2 2022. The trends are broadly in line with expectations, and investors took confidence from PageGroup's comment that it is on track to meet full year profit forecasts.

In contrast, **Compass Group** (-8.0%), **YouGov** (-6.7%) and **Next15** (-5.1%) lost some ground despite updating on robust recent trading.

In the three months to 30 June, **Compass Group** recorded organic revenue growth of 15%; in the first nine months of its financial year, it has grown revenues by 21% - the result of 97% client retention, net new business growth of 5%, price increases of 7% and like-for-like volume growth of 9%. Compass reiterated its full-year guidance of 18% organic revenue growth and a 30% increase in operating profit but the shares succumbed to some profit taking.

It was a similar story at **YouGov**, which has performed well since May's unveiling of a new long-term growth plan, but lost some ground in July after releasing a largely in-line full-year trading update. The market research, analytics and data business expects adjusted profits to meet analyst expectations, albeit revenues will be at the lower end of the forecast range. The timing was met with some scepticism by the market, coming less than a month after the company conducted a £55m equity placing to part-fund the acquisition of GfK's Consumer Panel business, adding complementary panels in Europe and extending YouGov's reach into the FMCG customer sector and the US market in particular.

Data-driven growth consultancy **Next 15** released a solid AGM trading update which confirmed profits are on course to be in line with expectations after revenue growth of between 5% and 8%. It also commented that operating margins are on track to expand compared with last year, despite inflationary cost pressures. The market is currently not minded to give the benefit of the doubt to any business perceived to have potential exposure to the more discretionary end of client budgets, and Next15's shares have continued to slide despite this evidence of resilient underlying trading.

One of the Fund's strongest risers was online cards and gifts platform **Moonpig** (+25%), which rallied through July on the back of full-year results released on 29 June. At the interim results stage, Moonpig had highlighted a tough consumer environment with declining new customer acquisition and customers trading down to cheaper gifts. However, we have been encouraged by Moonpig's ability to pull cost levers to protect margin and profitability in the face of these headwinds, with it maintaining its earnings guidance despite the headwinds.

The full-year results showed that the core greeting cards brand returned to sales growth in March, and the company expects this division to drive low single-digit percentage revenue growth for the group in the first half of its new year. Last year's acquisitions of Red Letter Days and Buyagift saw the formation of the group's Experiences division. As these brands also return to growth in the second half of the year, Moonpig expects full-year revenue growth to pick up to a mid-to-high single digit rate.

We continue to believe in the long-term structural growth opportunity for Moonpig as it benefits from the shift of gifts spending online. Moonpig continues to extend its market leadership position, in no small part due to the hugely valuable pool of data it gathers on its customers to enable highly targeted marketing.

Having started the year by upgrading its profits guidance ahead of releasing 2022 results, **Learning Technologies** (-9.3%) has more recently shown signs of some susceptibility to the soft macroeconomic backdrop. While over 70% of the workplace digital learning and talent management group's revenues are on long-term service or recurring software-as-a-service contracts, providing good visibility and resilience, the remainder is transactional or project-based. It is this smaller segment of its business that has suffered recently, with lengthening sales cycles, particularly among its financial services and technology clients, leading to lower-than-expected activity levels. In an interim trading statement, Learning Technologies cut its sales and profit forecasts for 2023; sales are now expected to be £550m to £570m, about 8% below market expectations, and operating profit between £98m and £103m, a 9% cut.

Away from earnings updates, **Domino's Pizza Group** (+26%) rallied strongly after it removed some of the uncertainty around its medium-term leadership with the appointment of a new CEO. The company has been operating with an interim CEO since late 2022 after the previous incumbent left to take up the same role at Whitbread. Andrew Rennie, the incoming CEO, has a strong track record working with the Domino's Pizza franchise model, having worked at the Sydney-listed Domino's Pizza Enterprises for two decades as its market capitalisation rose from around A$130m to A$5.9bn. He headed up its Australia & New Zealand division between 2010 and 2013 and its European business from 2014 to 2020.

Domino's strong share price rise in July came ahead of an interim results release on 1 August, which transpired to be very strong; like-for-like sales growth of 7.9% year-on-year was ahead of expectations, and Domino's guided to full-year earnings exceeding analyst expectations.

Future's (+24%) partial recovery from recent share price weakness was helped along by the announcement of a £45m share buyback programme.

Positive contributors included:
Domino's Pizza Group (+26%), Moonpig (+25%), Future (+24%), Savills (+14%) and PageGroup (+11%).

Negative contributors included:
Learning Technologies (-9.3%), Compass Group (-8.0%), YouGov (-6.7%), Big Technologies (-5.4%) and GlobalData (-5.3%).

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 Special Situations C3 Inst Acc GBP	6.3%	-11.9%	23.1%	-7.9%	6.6%
FTSE All Share	7.9%	1.6%	21.5%	-13.0%	0.6%

	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14
Liontrust GF Special Situations C3 Inst Acc GBP	15.7%	19.8%	8.2%	8.0%	11.0%
FTSE All Share	9.0%	18.1%	2.2%	2.6%	13.1%

*Source: Financial Express, as at 31.07.2023, 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 30.06.2023, total return (net of fees and income reinvested), primary class. Investment decisions should not be based on short-term performance.

Key Features of the Liontrust GF Special Situations Fund

Investment objective & policy[1]	The investment objective of the Fund is to provide long-term capital growth by investing in mainly UK equities using the Economic Advantage investment process. The Fund invests at least 80% in companies traded on the UK and Irish stock exchanges. The Fund is not restricted in choice of investment in terms of company size or sector. 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]	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.

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.