



This is a marketing communication

## Liontrust GF European Smaller Companies Fund

### August 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

**The Fund's A3 share class returned -1.7%\* in euro terms in July. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -2.9%.**

Global markets fell at the start of the month after the credit rating agency Fitch downgraded the US government's credit rating from AAA to AA+, citing unsustainable debt and increased political dysfunction. Elsewhere, renewed stress in the Chinese property market and underwhelming macroeconomic data out of China triggered an increase in market volatility.

The Bank of England raised interest rates 0.25 percentage points to 5.25 per cent and warned borrowing costs are likely to remain elevated despite slowing inflation. The Bank's governor Andrew Bailey emphasised that interest rates would need to stay at high levels, stating that in order to get inflation back to target, the UK is going to have to keep its current stance on policy.

In terms of sector returns for the period, European market weakness was concentrated in consumer discretionary (-6.4%), materials (-4.1%), IT (-3.9%) and industrials (-3.6%). Energy (+3.3%) and healthcare (+0.8%) were the only two sectors of the MSCI Europe to record a gain in euro terms.

Shares in **4imprint Group** (+16%) bounced back from a lacklustre showing in July to lead the top performers in August. The London-based direct marketer of promotional merchandise rose on the release of a trading update in which the company announced that profit before tax for the full year was expected to be materially above the consensus of analysts' forecasts.

Glass packaging manufacturer **Verallia** (+9.4%) continued its momentum following last month's strong first half results release and upgrade to guidance. 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.

Italian cement and concrete producer **Buzzi** (+6.9%) was another positive contributor, performing strongly on the release of its interim results. Despite a contraction in activity for the building sector, the company noted it had successfully raised selling prices to levels capable of fully offsetting higher costs of production. As a result of this strong showing in the first six months of the year, Buzzi increased full-year EBITDA guidance to €1.1bn - 1.2bn .

Although **Norwegian Air** (-14%) reported strong growth in passenger demand for air travel and a significant ramp up of capacity into the busy summer travel season, the airline is struggling to contain wage and supply cost inflation and has abandoned a target to cut operational expenses per flight (ex fuel) this year.

**BPER Banca** (-14%) shares fell over the month after the Italian bank reported a decline in first-half net profit and said net interest income has passed its peak.

#### **Positive contributors to performance included:**

4imprint (+16%), Verallia (+9.4%) and Buzzi (+6.9%)

**Negative contributors to performance included:**

Wienerberger (-15%), BPER Banca (-14%), Norwegian Air (-14%)

**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 <sup>1</sup>	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 (SRRRI) <sup>2</sup>	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.

#### **Disclaimer**

Non-UK individuals: This document is issued by Liontrust International (Luxembourg) S.A., a Luxembourg public limited company (société anonyme) incorporated on 14 October 2019 and authorised by and regulated as an investment firm in Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF") having its registered office at 18, Val Sainte Croix, L-1370 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B.238295. UK individuals: This document is issued by Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business. **This is a marketing communication.** It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. The investment being promoted is for units in a fund, not directly in the underlying assets. It contains information and analysis that is believed to be accurate at the time of publication but is subject to change without notice. Whilst care has been taken in compiling the content of this document, no representation or warranty, express or implied, is made by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified. It should not be copied, forwarded, reproduced, divulged or otherwise distributed in any form whether by way of fax, email, oral or otherwise, in whole or in part without the express and prior written consent of Liontrust. Always research your own investments and if you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances.