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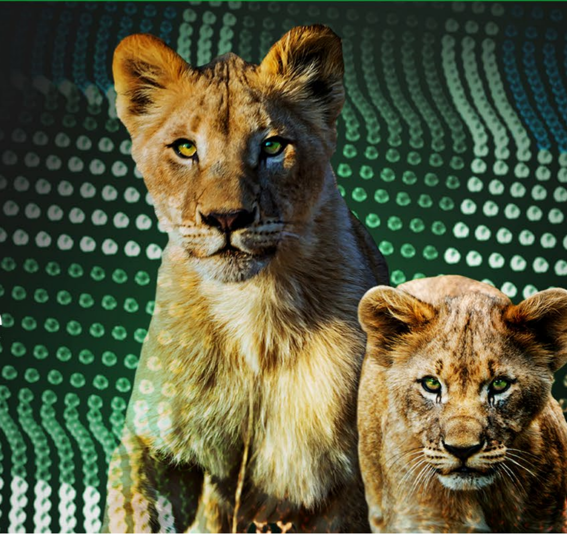

Economic Advantage

June 2024 review

Liontrust GF UK Growth Fund

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The Liontrust GF UK Growth Fund returned -1.1%* in June. The Fund's comparator benchmark, the FTSE All-Share, returned -1.2%.

Having set another all-time high in May, the FTSE All-Share index gave back some ground during June, with materials (-4.5%), health care (-2.9%) and consumer discretionary (-2.7%) sectors among the weak spots.

However, index returns remain positive over Q2 (+3.7%) and year-to-date (+6.7%), reflective of improving sentiment towards UK equities as inflation returns to target while economic growth remains positive; we think July's removal of election uncertainty could also allow investors to look towards the likelihood of upcoming policy catalysts for the UK stockmarket.

Most of our monthly fund commentaries see a spread of short-term 'winners' and 'losers' as portfolio holdings experience the inevitable short-term successes or headwinds in their pursuit of the longer-term capital growth potential for which we hold them. July was no exception, with **Halma** (+22%) and **Moonpig** (+19%) providing upbeat assessments to counter disappointments at **YouGov** (-59%) and **Spectris**.(-15%).

Shares in **YouGov** (-59%) were punished after the company issued an unscheduled profit warning. When reporting interim results in March, the research data and analytics group had noted Q1 was slower than expected with sales cycles remaining long, but that momentum had accelerated in Q2, giving it confidence in meetings its prior full-year sales guidance. Since then, YouGov has experienced weaker performance than anticipated, with a slowdown in the Data Products division affecting revenue and having an outsized impact on profits given the higher margin profile of the business. Fast turnaround research services also declined, while – although the recently-acquired Consumer Panel Services business is said to be performing well – some revenues have shifted into next year due to alignment of revenue recognition policies. Notwithstanding the broader attractions of YouGov's business (an extensive and high-quality global panel and proprietary datasets), it will take time to rebuild market confidence.

A trading update from precision measurement specialist Spectris (-15%) also downgraded guidance, albeit more moderately. Its Q2 update noted that rollout of its enterprise and resource planning system has completed but caused more operational disruption than anticipated – shifting around £15m of sales into the second half of the year. The company has also seen demand weakness in China and in the pharmaceuticals and electric vehicles markets. Spectris now expects full-year operating profit to be at or marginally below the lower end of the analyst consensus forecast range.

Halma (+22%) reported better-than-expected full-year results. Both revenue and adjusted profit before tax rose by 10% in the 12 months to 31 March, to £20.3 billion and £396 million respectively. The specialist in health and safety technologies benefits from good sector diversity among its customers, providing a level of resilience which allowed it to notch up its 21st consecutive year of adjusted profit growth. So, while it saw a decline in demand from the healthcare sector, this was more than offset by the environmental and analysis sector. Halma is structured as a mini conglomerate of technology businesses and has grown rapidly through acquisition, acquiring a further eight businesses last year. Halma's outlook is upbeat: it has seen higher order intake at the start of its new financial year and expects to deliver strong organic constant currency revenue growth.

Results from online cards and gifts platform Moonpig (+19%) were received positively, with the company flagging that headwinds are abating, allowing it to deliver growth in revenue and profits. While last year it reported on a tough consumer environment with declining new customer acquisition and customer down-trading, the 12 months to 30 April saw 7% growth in sales and a 14% increase in adjusted EBITDA (earnings before interest, tax, depreciation and amortisation). The company also owns the Red Letter Days, Buyagift and Greetz brands, but it was the core Moonpig cards business which drove growth – the unit registered an 8% sales increase as both orders and average order value rose. The group expects to record mid-to-high single digit percentage revenue growth next year.

Elsewhere in the portfolio, Next 15 Group (-22%) slid in the wake of a trading update. The data-driven marketing and digital transformation consultancy commented that the macro environment remains tough, with political uncertainty leading to some delays on government contracts. It also flagged that spending across large US technology clients remains soft. However, Next 15 has maintained guidance ahead as it approaches the second half of its financial year (running to 31 January) – a period which historically captures a larger proportion of business each year.

GSK (-13%) shares suffered a blow as the litigation risks around its discontinued heartburn drug Zantac appeared to increase. A US state court ruled that thousands of jury cases could hear evidence suggesting a link between the drug and plaintiff cancers. Later in the month, its shares dropped further after a US regulator blocked an expansion in the recommended patient age ranges for its Arexvy RSV vaccine.

We have long been referencing the extremity of undervaluation of UK equities, and the consequent high prevalence of inbound M&A interest in UK stocks. The Fund has three active bid situations ongoing for its holdings, with two of these providing significant further ballast to portfolio performance in the month. There were further developments for both Hargreaves Lansdown (+7.3%) and Wood Group (+17%) in June. Having rejected three successive takeover proposals from Dubai-based group Sidara at 205p, 212p and 220p a share, engineer Wood Group announced that it had decided to enter discussions over a fourth and final offer at 230p. Hargreaves Lansdown had previously rejected two takeover proposals from a private equity consortium, the highest at 985p a share, but this month it received an improved proposal of 1140p a share, leading it to engage with the bidder and provide due diligence access.

Positive contributors included:

Halma (+22%), Moonpig Group (+19%), Wood Group (+17%), Hargreaves Lansdown (+7.3%) and RELX (+6.5%).

Negative contributors included:

YouGov (-59%), Next 15 Group (-22%), Spectris (-15%), Indivior (-14%) and GSK (-13%).

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

	Jun-24	Jun-23	Jun-22	Jun-21	Jun-20
Liontrust GF UK Growth C3 Inst Acc GBP	11.6%	5.8%	2.2%	17.2%	-9.4%
FTSE All Share	13.0%	7.9%	1.6%	21.5%	-13.0%

	Jun-19	Jun-18	Jun-17	Jun-16
Liontrust GF UK Growth C3 Inst Acc GBP	2.7%	10.8%	18.9%	8.2%
FTSE All Share	0.6%	9.0%	18.1%	2.2%

*Source: Financial Express, as at 30.06.24, 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. 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 (SRI)[2]	4
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 PRIIP KID of the fund; 2. SRI = Summary Risk Indicator. Please refer to the PRIIP KID for further detail on how this is calculated.

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Key Risks

Past performance does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.

The Fund may encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings.

The Fund may invest in companies listed on the Alternative Investment Market (AIM) which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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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