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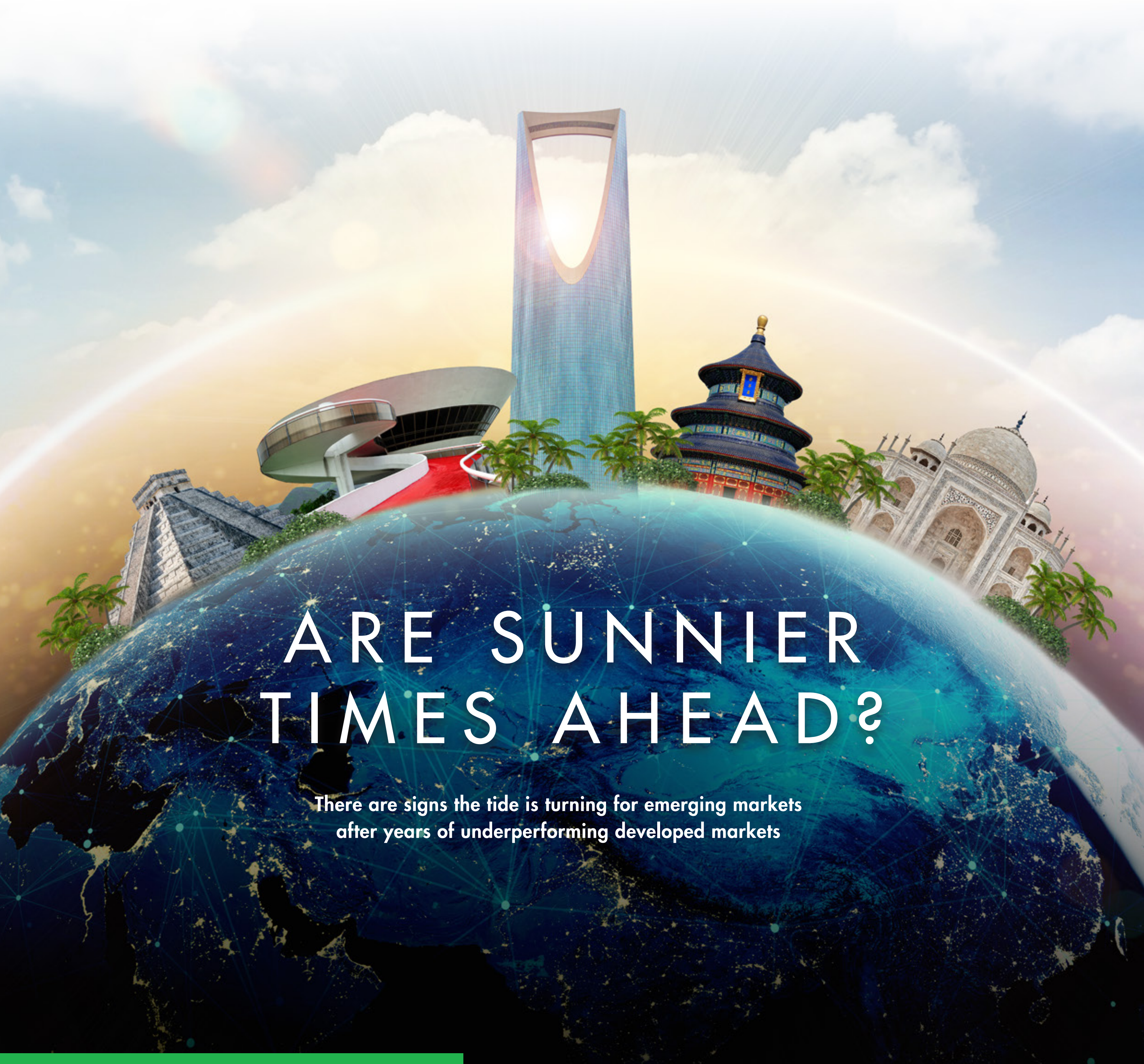

ARE SUNNIER TIMES AHEAD?

There are signs the tide is turning for emerging markets after years of underperforming developed markets

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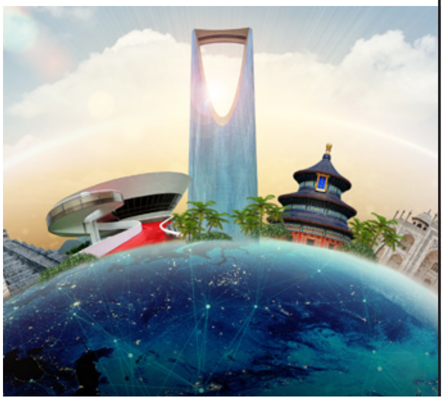


WELCOME

Global equity markets continued to deliver positive returns in the second quarter of 2024. These returns were significantly driven by a few mega cap stocks that benefited from the AI frenzy. This was shown by the fact that five companies – Nvidia, Alphabet, Microsoft, Meta and Amazon – accounted for 50% of the return of the 500 largest listed companies in the US in 2023.

Shortly before this issue went to press, global markets had suffered some significant falls in both mid-July and early August before recovering ground again. This was not surprising given the pace of gains in stock markets over the previous 18 months. This volatility may have represented early signs of a market rotation away from the US mega caps and towards mid and small caps.

This does not affect the fundamental view of the Liontrust Multi-Asset team, however, who are still optimistic about equity markets, especially Asia, emerging markets, US small caps and the UK. Indeed, in this year of elections around the world, the Labour landslide win of seats has made the UK a relative haven of stability.

In our cover story on pages 8 to 9, we analyse in detail one of these areas of optimism for the Multi-Asset team – emerging markets equities. The article examines whether countries like India, Mexico and Brazil can benefit from trends like AI and renewable technologies.

Gold is traditionally seen as a safe haven in times of volatility but it is not the only precious metal that could offer investors potential for growth while also contributing to a greener environment. We take a closer look at precious metals on pages 10 to 11.

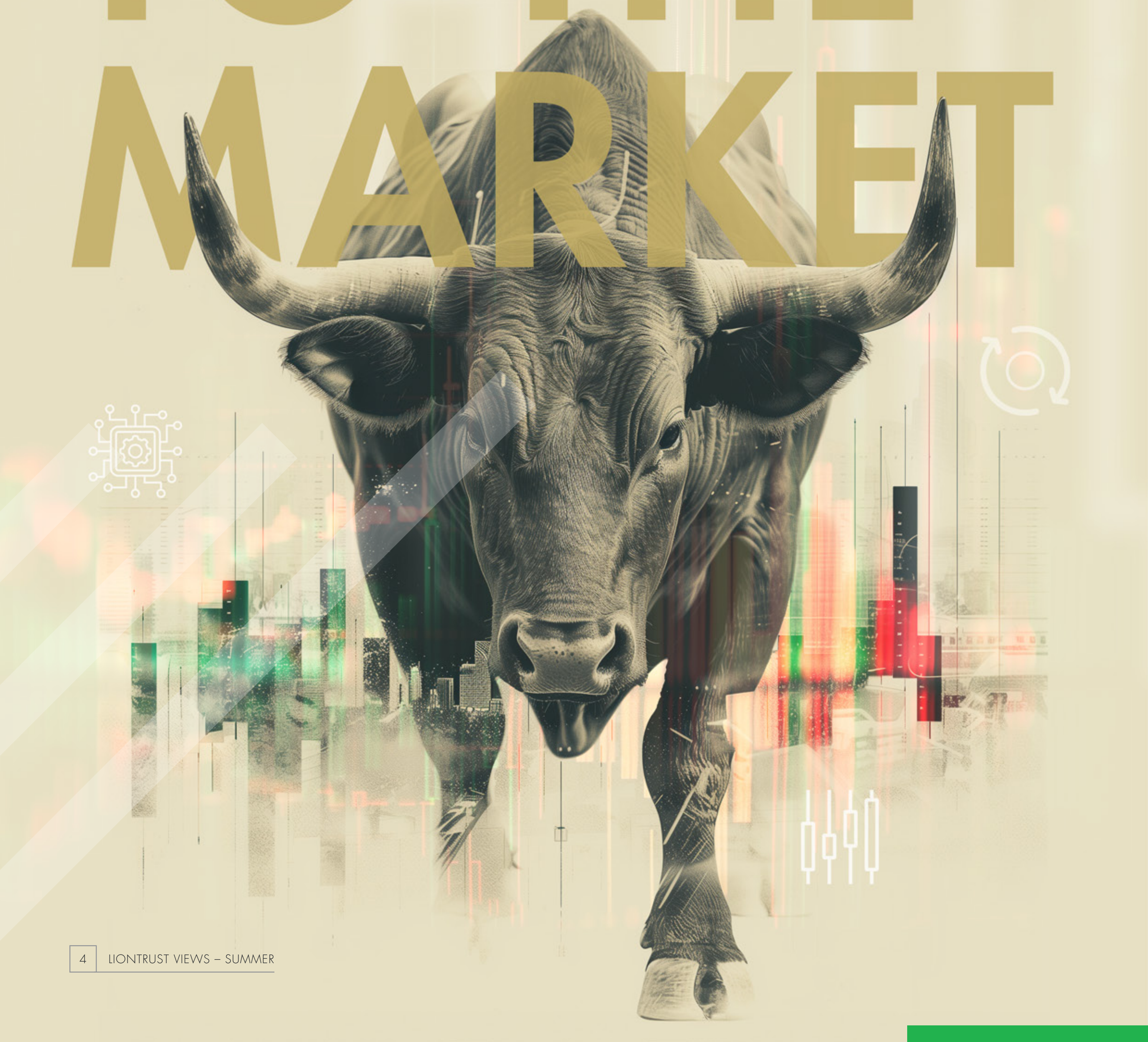
We examine the drivers of investment markets in the second quarter on pages 4 to 7, one of which was the expectation of interest rates being reduced in the second half of the year. On pages 12 to 13, we discuss why falling interest rates should be good news for investors.

Finally, our facts and figures on pages 14 to 25 provides the vital statistics you need to see how your funds have performed.

We hope that you enjoy reading this edition of *Liontrust Views* and we welcome your feedback.

PORTFOLIO POSITIONING:

ADAPTIN TO THE MARKET



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Managing a rotation in markets

Global equity markets have been dominated by US mega caps for what is now approaching two years. The substantial share price rises of Nvidia, Alphabet, Microsoft, Meta and Amazon – five of the so-called Magnificent 7 – over this period have been driven primarily by the relentless excitement around AI. These five companies accounted for 50% of the return of the 500 largest listed companies in the US in 2023.

This AI frenzy continued into the second quarter of 2024, with Nvidia for example rising by 36.6% in sterling terms and Apple increasing by 22.8%. These share price movements have led to stock market concentration, both in the US and globally, reaching an all-time extreme level. This poses two potential risks to investors.

First, active investors cannot go overweight companies with such huge weightings in the index because of restrictions on individual stock holdings. In contrast, passive investors do allocate according to market capitalisations.

But, equally, if sentiment turns against these mega caps, perhaps because they are unable to continually meet or outperform earnings expectations, then their share prices may start moving downwards. In this scenario, investors will benefit from a diversified portfolio that active managers can help to provide, particularly through exposure to small and mid cap equities, bonds and alternatives.

It is important to be aware of the exposure of portfolios to the mega caps and the associated risks. While we are not predicting the timing of any market rotation, there were signs of one in July with a fall in the share prices of the Magnificent 7 and a commensurate gain in other parts of the market, most notably smaller companies.

The share prices of the Magnificent 7 stocks dropped by 7% or 8% over the two weeks to 19 July in sterling terms while the US Smaller Companies Index, which had its best week for a few years, rose by a similar amount. Elsewhere in the US, stocks were still performing well, even the large caps. The S&P 500, therefore, continued to rise despite the headwinds provided by Magnificent 7 underperformance, with the other 493 stocks doing the heavy lifting.

What drove this rotation? Ultimately, it boils down to sentiment, but there has to be something behind this, which on this occasion may be that inflation is under control, the US economy remains in pretty good shape, and we are seeing earnings and profitability being delivered across the index, not just among the mega caps. The interesting balancing act is that there is a market expectation of more cuts in rates than have been signalled by Jay Powell, Chair of the US Federal Reserve, while the economy may be strong enough not to require this extra cut.

This AI frenzy continued into the second quarter of 2024, with Nvidia for example rising by 36.6% in sterling terms and Apple increasing by 22.8%.

Political rotations

We have also been seeing plenty of rotation in politics, with Joe Biden withdrawing from the US presidential election, a move away from the middle ground in parts of Europe and the Labour Party winning a landslide majority of seats in the General Election. This now means that the UK has become a relative haven of political stability after nearly a decade of uncertainty. This reinforces our confidence about the UK stock market, which has been driven by valuations and the potential for capital flows. Among the other equity markets we are bullish about are Asia ex-Japan, emerging markets, Japan and US small caps.

We believe the key lesson from all market, economic and political developments is that diversifying client portfolios, patient investing for the long term and a consistent investment process are more important than ever. There are no signs of the potential for rotations ending any time soon.

A FORWARD LOOK

Outlook

Growing clarity around the future direction of interest rates and more reassuring economic data in the second quarter of 2024 helped optimism to tick up in global markets. Sentiment is powerful in the short term and difficult to predict, but it seems that investors are tending to interpret news flow more positively now.

The once-feared hard economic landing is looking less likely, as seen in the steady economic growth in the world's largest economy, the US. Inflation has proved to be stickier than hoped for, but the worst of the spikes appear to be behind us.

We believe there are many investment opportunities with attractive valuations in global financial markets today. We see so many that our capital allocation decisions are more about where we decide not to invest rather than where we do so.

We continue to be biased in our funds and portfolios towards being overweight in equities, especially small caps and those in the UK, Japan, Asia ex Japan and emerging markets (EMs). The economic environment and outlook are positive for them, while they are still generally cheap and under-owned. A strengthening global economy or further improvements to investor sentiment would give them a major boost.

We remain broadly neutral on fixed income, although we continue to be positive regarding investment grade corporate bonds and, more recently, high yield bonds. Generally, we maintain exposure to bonds because they are a long-term diversification versus equities and, latterly, provide strong income.

The challenges in the second half of 2024 include politics and policy uncertainty. Markets were surprised, for example, by the announcements in the second quarter of snap general elections in the UK and France. The Indian stock market was also unsettled by the failure of Narendra Modi's BJP party to win an outright majority in that country's general election. The US presidential election in November will be the most significant election of them all this year. However, investors should note that while elections can lead to volatility due to their potential to create investor uncertainty, this does tend to be limited to the short term.

High on the list of policy uncertainties is how central banks will tackle inflation. It has remained higher for longer than previously anticipated, but central banks are signalling cuts to interest rates, even if they are to be less immediate and shallower than anticipated.

Asset class outlook

When we are positive about an asset class, we categorise it as 'overweight' and may look to increase our target allocation to it in our portfolios. Conversely, when we are negative about an asset class, we classify it as 'underweight' and may reduce the target allocation. Finally, 'neutral' means that we are neither positive nor negative.

We did not change any of the weightings for the asset classes listed on these two pages in the second quarter of 2024, although we did raise our Tactical Asset Allocation (TAA) ranking for global high yield bonds from neutral to positive.

UNITED STATES

STOCKS*	▬	BONDS	▬

US stocks delivered gains in both dollar and sterling terms over the second quarter. There were some strong earnings results but most of the gains were from the technology mega caps. We do believe this degree of outperformance without a correction at some point would be highly unusual. Overweighting the overall US large caps market would not feel right at present given its arguably expensive stocks, but there is still plenty of value elsewhere in the market. US smaller companies have underperformed amid the monetary tightening seen in the last two years and they now offer good value.

The Federal Reserve held interest rates steady over the quarter and signalled there would only be one rate cut this year, significantly fewer than was expected earlier this year. US treasuries still delivered a marginal return in the second quarter after having been slightly negative in the first.

EMERGING MARKETS

STOCKS	▲	BONDS	▬

In the second quarter, emerging markets (EMs) extended the gains they made in the first. A rebound in China was a key factor in this, attracting inflows from international investors seeking lower valued, high-dividend stocks. EM stocks generally are relatively cheap compared with developed markets. Reasons why EMs may be increasingly attractive to global investors include a pro-growth stimulus in China, the potential appreciation of their currencies versus the US dollar and the reorganisation of strategic supply chains globally that would create opportunities outside China. Investors in EMs should expect additional idiosyncratic risks but this should be rewarded over the long run in the form of risk premia.

EM debt was marginally positive in the second quarter, having been a leading performer in the first. High yields and economic turnarounds are proving to be attractive to investors, but the later and shallower trajectory for US rate cuts – and thereby more support for the US dollar – was unhelpful for EM debt.

UNITED KINGDOM

STOCKS	▲	BONDS	▬

In the second quarter, UK equities extended the gains they made in the first despite drifting down slightly in June ahead of the general election in July. Latest data showed UK GDP had grown 0.7% in the first quarter, ending the shallow recession seen in the second half of 2023. UK equities remain undervalued, in our view, and overlooks the potential for them to outperform.

Gilts had another marginally positive quarter. We are comfortable holding gilts because of the opportunities they present but our sentiment towards them remains neutral. We believe they remain reasonable value and now offer the prospect of delivering real yields over the medium term once the inflationary spike abates. They continue to provide useful portfolio insurance in time of market duress but offer little more than a cushion to equities. We are positive on UK corporate bonds, however, because we believe that the spreads they offer over government bonds are attractive on a risk-adjusted basis.

KEY ▲ Overweight ▼ Underweight ▬ Neutral

EUROPE

STOCKS	▬	BONDS	▬

Europe was the laggard among equity regions in the second quarter, having been unsettled by right-wing parties' gains in European parliamentary and French general elections. French government bonds weakened on the election issues. Some eurozone inflation data surprised slightly on the upside, but the European Central Bank still beat the Federal Reserve and the Bank of England to cutting interest rates in June. It tempered market expectations for further interest rate cuts, however. We retain our neutral stance on both equities and bonds in the region.

ASIA PACIFIC

STOCKS	▲

Asia Pacific ex-Japan was the best-performing equity region in the second quarter. Similar to EMs, problems associated with China have weighed on it in recent years and its equities represent good value versus developed markets now. The region should also benefit from economic stimulus in China, a favourable realignment of global supply chains and a weakening in the US dollar.

Global sentiment towards the region, not least because of geopolitical tensions, does still pose risks. But a relatively strong economic growth outlook and contained inflationary pressures should translate into generally stronger consumer and corporate balance sheets in the region, while longer term its demographics are supportive.

JAPAN

STOCKS	▲

The Japanese stock market was up over the quarter but it delivered negative returns in sterling terms because of weakness in the yen. Since the start of 2024, Japanese equities have performed positively overall. They outperformed their global peers in the first quarter but then lagged as investors reassessed the risk of interest rate hikes after the Bank of Japan raised them in March. Data also showed that the economy shrank in the first quarter as consumer spending continued to slide.

We remain positive on Japanese equities. The country is in an inflationary environment for the first time in a couple of decades, which should encourage more consumption. The corporate picture is also improving, and we believe Japan's stock market has a lot of ground to make up from its lost decades of poor performance. ■

* Small caps overweight

Past performance is not a guide to future returns

EMERGING MARKETS

ARE SUNNIER TIMES AHEAD?

Emerging markets (EMs) economies are expected to grow by an average of 4.1% this year and 4.2% in 2025, according to the IMF.

In contrast, the average growth for the UK, Europe and the US is expected to be just 1.7% in 2025. After a number of years in which EMs in aggregate have underperformed developed markets, there are signs the tide is turning.

Over the past decade, someone investing in the MSCI Emerging Markets index would have seen a return of 80% compared to a return of 215% for developed market equities (Source: FE Analytics, total returns in sterling, 1 May 2014 to 30 April 2024).

Growth in EMs over the past decade has been affected by a number of factors. The Global Financial Crisis and ongoing economic slowdown hit markets hard. EMs are typically more reliant than developed economies on global demand for the goods or services they provide. The Covid pandemic and subsequent lockdown measures also negatively impacted tourism for EMs, affecting revenues in countries such as Mexico, Thailand and the Philippines.

Reasons to be positive

There are reasons why EMs could be a more attractive option for investors looking ahead, however. Many EMs are homes to commodities and, in recent months, these markets have levelled off after steep declines seen in 2023. Overall, strong commodity prices benefit EMs' foreign exchange reserves and current account balances.

During the pandemic, the governments of many EMs introduced stimulus measures to sustain their economies and mitigate the social impact of the pandemic. In many countries, these have continued to the benefit of these economies.

In addition, in recent years, some EMs, such as China, India and Indonesia, have implemented structural reforms to enhance their productivity, innovation and resilience, such as investing in infrastructure, digitalisation and green energy.

Many EMs have lower debt levels than developed markets and were quicker to tackle and bring down inflation, meaning they could be in a stronger position than their developed market counterparts to withstand economic volatility.

EMs also typically have younger populations, which provides a large and dynamic workforce but also a potentially strong consumer base.

Of course, EMs are not a homogeneous group of markets with significant differences between them, including levels of development and governance – and therefore risk. We highlight and discuss some of the key markets.

Mexico

Mexico has been one of the rare constants – an EM that has largely gone from strength to strength over the past decade. While EMs were struggling a decade ago due to the end of the commodities super cycle, Mexico was benefiting from far-reaching structural reforms, most notably in the energy sector.

The country has also become a hub for US companies moving manufacturing capacity away from China and closer to home – a process known as nearshoring. More than $70 billion of new projects were announced last year, including Tesla's $5 billion gigafactory. It has now overtaken China to become the US' number one trading partner.

In June, Mexico elected a new president – the first female president, Claudia Sheinbaum – who is from the existing ruling Morena party, which means consistency with ongoing reforms is expected. If these happen, it is likely to lead to more public-private partnerships, freeing up fiscal resources for much needed electricity investments and addressing security issues.

The US Presidential election in November could also have significant implications for the Mexican economy and for investing in the country. Trump has talked about hiking tariffs on Chinese imports to 60%, which would further boost Mexico's appeal as a manufacturing destination.

Brazil

In 2016, then president Michel Temer introduced a series of economic reforms aimed at reducing government debt and bringing down interest rates to spur a new investment cycle. The ongoing reforms are helping to boost investment in infrastructure and logistics across roads, railways and ports.

Brazil was also well ahead of other central banks around the world in raising interest rates to combat inflation. With inflation now back under control, interest rates have been coming down since August. This is providing a tailwind to both consumers and corporates in the form of lower financial expenses and greater capacity to borrow to fund purchases or investment.

After a lengthy downturn, commodities have also strengthened due to a combination of limited supply and strong global demand. Brazil is a global leader in agriculture – grain production has increased sevenfold over the past 40 years and is expected to double again over the next 12 years. It is also one of the few countries in the world delivering strong growth in oil production – expected to rise from three million barrels per day (mbpd) to over 5mbpd by 2030 with exports trebling to 3mbpd. This will position Brazil as the world's fourth largest oil producer behind only the US, Saudi Arabia and Russia.

India

India has been in the limelight for some time as an attractive EM for investors. It is a thriving democracy with market-friendly politics and an entrepreneurial culture. It has experienced average annual growth of 9.9% over the past two decades and is widely predicted to be the third largest economy by 2027. Last year, India overtook China to become the most populous country in the world with a population of 1.4 billion. Demographically it also has one of the youngest populations in the world and a rapidly growing middle class.

In June, the results of India's general election were announced. While prime minister Narendra Modi was re-elected, for the first time in 10 years his BJP party lost its overall majority and will now have to form a coalition government. However, over the past decade, Modi has introduced crucial economic reforms, with a focus on investment and growth, and this is expected to continue.

India's economic success is reflected in the country's stockmarket trading at a premium compared to other EMs. However, a closer look shows the valuations of Indian shares are justified by earnings per share growth – since 2020, growth in India in US dollars has been 47% compared to 1% for wider EMs. As India continues its rapid economic expansion, this is expected to bolster strong earnings growth.

China

China is the world's second-largest economy. In 2023, it saw growth of 5.8% according to the IMF, slightly down from 6% growth in 2022. However, over the last two to three years, events in China have weighed on EMs, due to ongoing trade tensions with the US the slowdown in global demand following the pandemic and the structural reforms to address debt and environmental issues.

China's share of US imports has fallen from a peak of 22% in 2018 to below 14% today and is expected to drop to just 10% by 2030 as Mexico continues to benefit from onshoring.

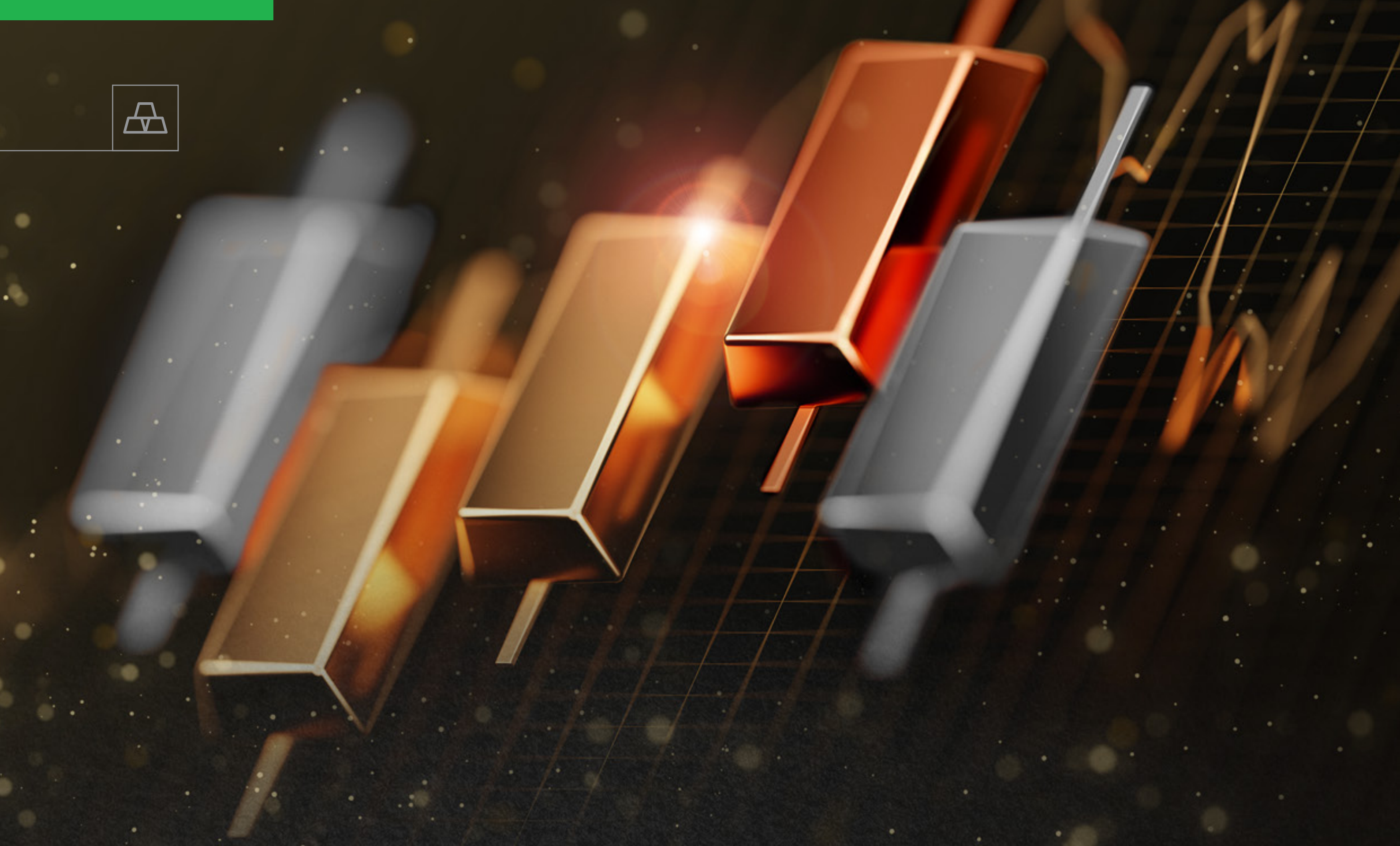
However, not only has China benefited from its strong domestic consumption, but the government has also focused on pro-growth stimulus and, in particular, investment and innovation.

JAMES KLEMPSTER, Liontrust's Deputy Head of Multi-Asset, says: As long-term, disciplined investors, we are focused on identifying investment opportunities rather than being distracted with macro stories. While a positive economic backdrop should provide a tailwind to markets, fundamentally poor investments are unlikely to prove rewarding, even with a metaphorical gale at their backs.

Important factors to consider include corporate governance: whether there is a genuine culture of rewarding shareholders and whether capital controls could hinder your ability to retrieve your investment in the future. Even if the above factors are in your favour, investing at the wrong price can mean you're pushing a rock uphill to get returns.

EM's poor performance over the last few years has much to do with problems stemming from China as it is a significant component of the index. But now China has adopted a more pro-growth, stimulus-oriented stance and EMs could benefit from the relative appreciation of their currencies versus a weakening dollar. They are also set to be further boosted by international strategic supply chains being re-opened.

Overall, we believe that valuations in EMs are attractive and will prove rewarding for investors. The main driver of returns will come from the re-rating of stocks from their lowly valuations, which should follow any shift in sentiment from the current levels of scepticism that is keeping a lid on pricing.



All that glitters is not GOLD

Gold is seen as a staple when markets are rocky but other metals could have a shine at present for investors looking to diversify their portfolio.

There are many reasons why metals are having a moment in the spotlight. The pandemic saw a substantial drop in demand for commodities as countries locked down and manufacturing largely stopped, but since then a more expansionary fiscal policy has led to stronger demand than seen for some time.

The move towards a net zero world – the green energy transition – is also helping to drive demand for precious metals that are critical to achieving it, such as copper, lithium and nickel, while metals such as uranium, platinum and silver also have a role to play.

Uranium is a rare and radioactive metal that is used to fuel nuclear power plants. Over the last five years, the price has more than tripled, from around $25 per pound to more than $83 in July this year, although it has fallen from a high of $106 in February of this year.

Demand for uranium has surged in recent years as countries seek to reduce their carbon emissions and rely on clean energy sources. According to the World Nuclear Association (WNA), there are 442 nuclear reactors operating in 32 countries, with another 60 under construction and a further 110 planned. Demand for uranium is expected to continue increasing while supply remains tight, with the WNA predicting a supply shortage as early as 2029.

Platinum is the rarest precious metal. As well as being used in jewellery and medical devices, it is used in the production of catalytic converters that help reduce vehicle emissions. It is sometimes described as a green metal because it has no carbons and therefore produces zero emissions, only water. As well as catalytic converters, it contributes to the development of hydrogen technology.

In 2008, platinum prices reached an all-time high of $2,290 per ounce but in recent years this has fallen steadily, in part because of lower demand from the car industry. The price of platinum has continued to track lower so far this year. As of 24 July 2024, the price stood at $966 per ounce.

Yet despite this, the value of platinum is expected to grow steadily over the coming years due to a mismatch of supply and demand. There is still substantial demand for the metal for converters for traditional internal combustion engines (ICE) – the World Platinum Investment Council's latest quarterly report shows that year on year demand grew by 25% – while there was a deficit of 878,000 ounces produced in 2023. Furthermore, about 80% of the world's supply is from South Africa, which faces political and social instability that impacts on supply.

Gold is the most popular metal among investors and commonly seen as a bulwark in uncertain economic times. Typically, the value of gold rises in a recession or at times of conflict. From the start of 2024 to 2 July, gold rose 12% according to the World Gold Council. It has also reached record new highs multiple times, fuelled in part by geopolitical turmoil as well as expectations of rate cuts by central banks (the Federal Reserve in particular). Central banks have also been buying gold, led by China.

Research by J.P. Morgan predicts that the price of gold could reach $2,500 in the fourth quarter of this year and hit $2,600 in early 2025. Meanwhile, the World Gold Council believes there is still room for growth in the market, pointing to subdued retail demand which it argues could be stimulated if interest rates fall, recession risks increase or there is more geopolitical turmoil.

Silver has many uses, from coins, jewellery, electronics, solar panels to photography. As well as being a precious metal, it is also an industrial metal with high conductivity, reflectivity and antibacterial properties.

Silver has a key role to play in achieving the net zero transition and a sustainable future. It is a key element in electric vehicles because of the advantages it offers as an electric conductor, while its use in solar panels enables them to capture sunlight efficiently and turn it into electricity through photovoltaic cells. Silver is also used in medical treatments, specifically to treat wound infections, because of its antibacterial properties.

The price of silver rose by around 7% in 2023 and it has continued to increase this year, breaking the $30 barrier in May before falling back slightly (Source: Trading Economics).

According to the Silver Institute, a nonprofit international organisation, demand for silver substantially exceeded supply in 2023 for the third year in a row. Strikes at silver mines in Mexico played the biggest role in constraining supply while demand from the industrial sector increased notably.

The Silver Institute is also forecasting that the gap between supply and demand will grow by 17% over 2024 because of growing industrial demand, which should help to keep prices strong. Recent economic conditions, with stable interest rates but a series of rate cuts expected this year, have also helped silver prices, albeit not providing as much of a boost to values as they have to gold prices. However, silver is also a hedge against inflation and currency devaluation as it tends to move in tandem with gold.

Copper is sometimes known as the red metal and has a vast range of uses including in infrastructure, electric vehicles and solar farms. It is the third most used metal in the world and demand has grown steadily over the past several decades, substantially driven by China as the largest global consumer of copper. While copper fell from a high of $5 a pound in May 2024 to just over $4 in July, the mismatch between supply and demand – production rates have declined at many copper mines – means prices could rise to new highs, according to research provider BloombergNEF, which is predicting a 20% increase in value by 2027.

However, inflation, particularly in labour and materials costs, can hit prices hard, while the copper market is also vulnerable to an economic slowdown in China.

While investing in precious metals offers benefits such as diversification, inflation protection, growth potential and exposure to the energy transition, it also has risks, such as price volatility, supply and demand imbalances and geopolitical tensions. Therefore, investors should carefully consider their objectives, risk tolerance, and time horizon before investing in metals.

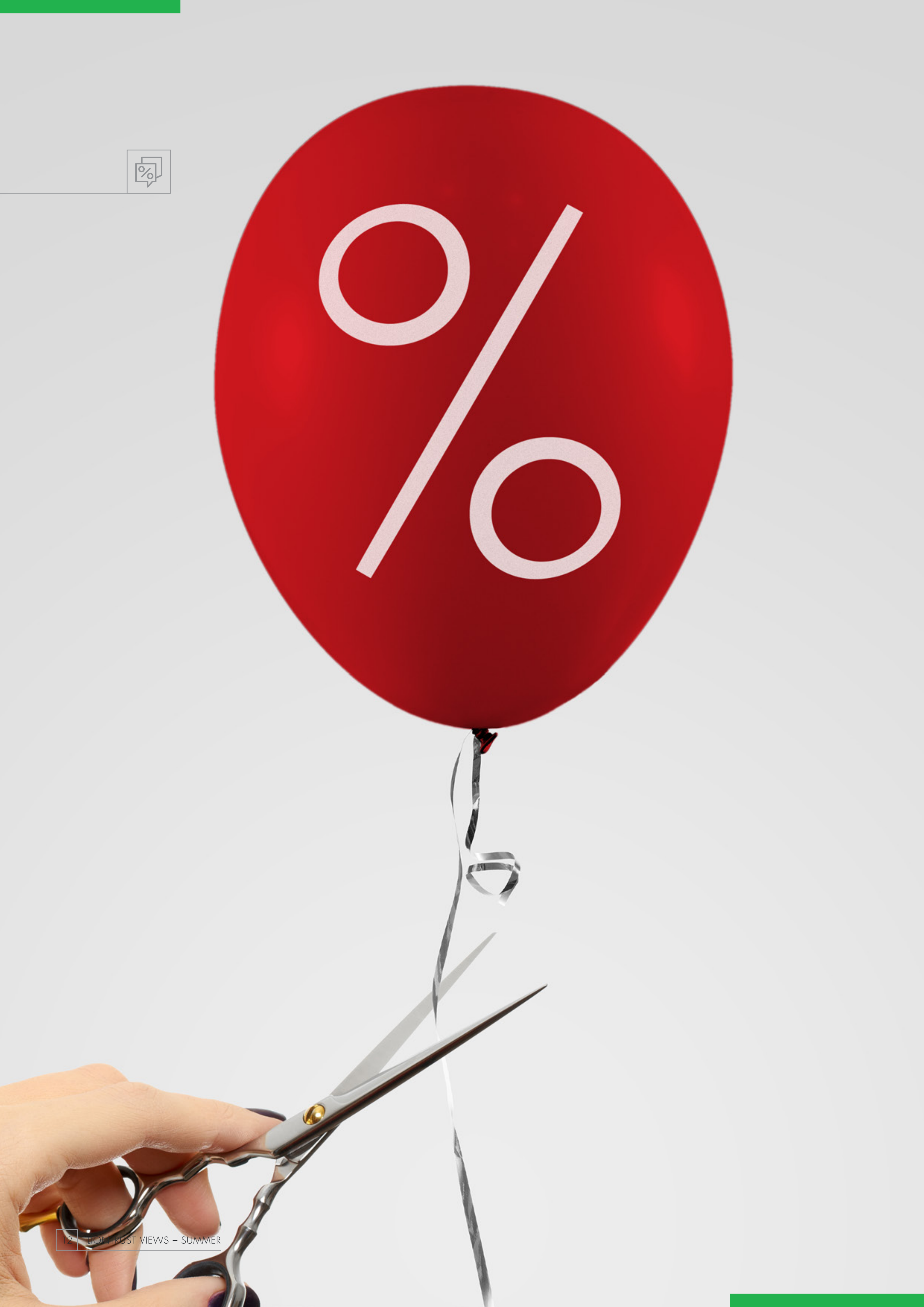
MAYANK MARKANDAY IS THE HEAD OF DIVERSIFIED REAL ASSETS AT LIONTRUST:

The strong return in gold and silver prices has caught some investors off guard as it comes alongside a strong US dollar (a negative for commodity returns that are priced in US dollars) and higher real rates, which act as an opportunity cost for owning gold or silver, which are zero yielding.

Yet there are some non-fundamental factors that have been driving returns this year. Firstly, the sanctions imposed on Russia have made some central banks cautious of the risks of being over-exposed to the US dollar and have widened their arsenal by increasing purchases of gold.

Secondly, in a year of elections the market is re-pricing geopolitical risks, which have dominated asset returns since Covid, including inflation remaining higher for longer. Furthermore, in a higher volatile environment, there is the risk of central bank errors, which could negatively impact traditional assets but increase the attraction of precious metals.

In this binary politically driven environment, we believe it is sensible that investors are hedging their bets and owning a broad base of precious metals, which have not only historically provided a good hedge against inflation but also low correlation to equities and bonds.



Are interest rates good news for investors?

Holders of mortgages and savings accounts have been acutely aware over the past couple of years of how rises in interest rates can impact them, negatively and positively.

But as inflation falls from its 2023 highs, interest rates will typically follow. At its most recent monthly meeting, the Bank of England (BoE) cut rates from 5.25% to 5% – the first move downwards since the start of the pandemic in March 2020. How might this impact investors?

Raising interest rates helps to tackle inflation by dampening the economy through increasing borrowing costs for both businesses and consumers. It follows therefore that lowering interest rates supports economic growth by encouraging increased spending and investment. Homeowners will have more money, for example, if their mortgage costs fall and they will feel wealthier if property prices rise.

Bonds become more attractive

A reduction in interest rates is good news for investors holding bonds. Bonds are IOUs issued by public bodies and private companies, and their prices have an inverse relationship with interest rates: if interest rates fall then their prices will generally rise. This is because the regular income that bonds pay out (coupons) are usually fixed nominal amounts, such as £10 or £50 a month, which are set at issue. If the interest rates available elsewhere, such as on bank and building society accounts, fall, then bond coupons become more attractive, thereby supporting bond prices.

Some bonds have their coupons linked to inflation, such as index-linked gilts, but the inverse relationship applies to these as well.

Another benefit of falling interest rates for bond investors is that if economic activity increases, companies are more likely to be financially stronger, raising their creditworthiness and the prices of the bonds they issue.

Virtuous circle for equities

For investors in equities, interest rate falls spur a virtuous circle. Lower rates mean companies can borrow to invest more, potentially leading to higher profits and stock prices – and better returns for shareholders.

Equity markets are also in competition with savings accounts and bonds – if interest rates fall then the returns from equities become more attractive. This tempts investors to switch to equities, supporting their prices.

An interest rate cut should be more beneficial for smaller companies than their larger counterparts as they can be notably more sensitive to interest rate changes. They are generally perceived as being higher risk than larger, financially stronger companies and therefore tend to have debt that is shorter term with higher interest. They also tend to be faster out of the blocks in a market recovery.

More reliable rental income

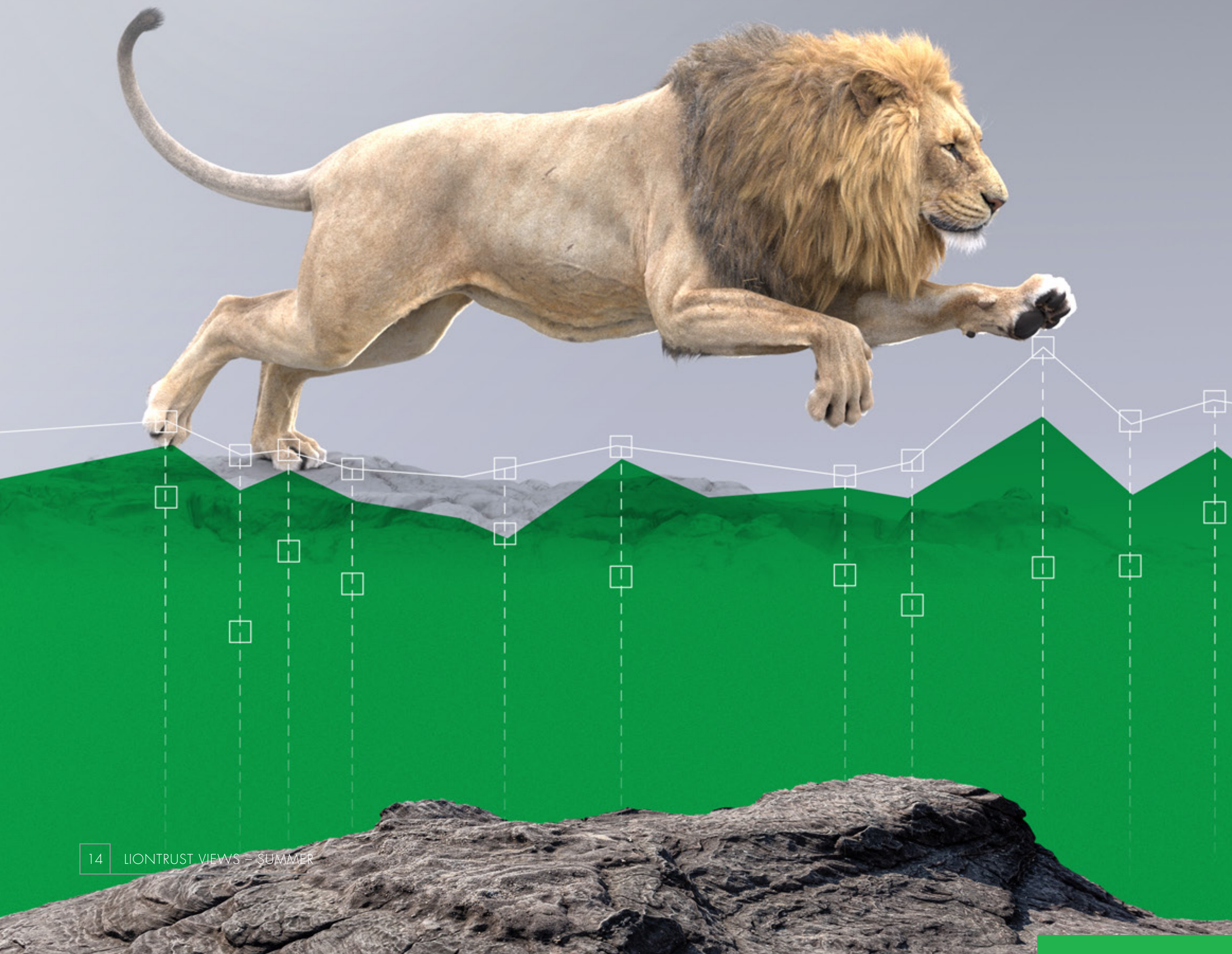
Investors can expect a fall in interest rates to support property prices, too, whether residential or commercial, through lower mortgage rates increasing demand. More confidence and buoyancy in the economy means that tenants are also more likely to be able to pay rents, delivering more reliable income streams for investors.

Greater demand for commodities

Another asset class that is positively impacted by interest rate cuts is commodities, such as precious and base metals, like gold, silver and copper, agricultural produce including cocoa and sugar, and energy resources such as oil and gas. As these do not pay income, they look more attractive in a low interest rate world and benefit from a growing economy.

FACTS & FIGURES

QUARTERLY DATA



Emerging market stocks
5.05%
MSCI Emerging Market Index

US stocks
4.21%
S&P 500 Composite Index

UK stocks
3.73%
FTSE All-Share Index

Asian (but not Japanese) stocks
2.43%
MSCI Pacific ex-Japan Index

Global high yield bonds
1.15%
ICE Bank of America ML Global High Yield Bond Index

Emerging market bonds
0.48%
Bloomberg Emerging Markets Hard Currency Aggregate Index

European (but not UK) stocks
0.07%
FTSE All World Developed Europe excluding UK Index

US corporate bonds
-0.15%
Bloomberg Barclays US Corporate Bond Index

European corporate bonds
-0.75%
Bloomberg Barclays European Corporate Bond Index

UK corporate bonds
-0.85%
Bloomberg Barclays Sterling Aggregate Bond Index

Global government bonds
-1.92%
FTSE G7 Index

Japanese stocks
-4.59%
TOPIX Index

To highlight the unpredictability of markets, the table below details the performance of global equity and fixed income indices over the past five years (in sterling terms). This table demonstrates how volatile markets can be, and shows the benefits of diversifying your investment, or in other words, not putting all your eggs in one basket.

Index percentage growth (%)	**1 Jul 2023 to 30 Jun 2024**	**1 Jul 2022 to 30 Jun 2023**	**1 Jul 2021 to 30 Jun 2022**	**1 Jul 2020 to 30 Jun 2021**	**1 Jul 2019 to 30 Jun 2020**
US stocks	25.27	14.24	1.68	25.93	10.73
European (but not UK) stocks	13.08	19.42	-10.17	22.99	0.70
UK stocks	12.98	7.89	1.64	21.45	-12.99
Japanese stocks	10.94	9.84	-10.55	8.40	3.37
Asian (but not Japanese) stocks	7.55	1.20	-3.05	20.14	-10.02
Emerging market stocks	13.62	-2.36	-14.68	26.43	-0.14
Global government bonds	-0.93	-7.24	-4.44	-10.66	8.60
Global high yield bonds	11.28	4.78	-6.30	3.39	2.40
US corporate bonds	5.23	-3.00	-2.39	-7.60	12.79
European corporate bonds	5.17	-0.17	-12.15	-2.15	1.16
Emerging market bonds	8.47	1.22	-8.79	-4.32	5.20
UK corporate bonds	6.04	-13.24	-13.98	-4.24	10.17

Past performance does not predict future returns. Rebased in sterling where appropriate, i.e. all index returns are recalculated based on exchange rates to give returns for a sterling investor. Source: Morningstar Direct, 30 June 2024.

EXPLORER FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

ANTHONY CHEMLA

DAVID SALISBURY

PORTFOLIO CHANGES

BOUGHT

CT American Smaller Companies

Royal London Corporate Bond

SOLD

iShares S&P SmallCap 600

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 31 Mar 24 to 30 Jun 24	1 YEAR 30 Jun 23 to 30 Jun 24	3 YEARS 30 Jun 21 to 30 Jun 24	5 YEARS 30 Jun 19 to 30 Jun 24
Liontrust MA Explorer 35 Fund S Acc	0.99	9.81	-8.71	-4.57
Liontrust MA Explorer Income 45 Fund S Acc	1.11	10.39	-6.44	3.43
Liontrust MA Explorer Income 60 Fund S Acc	1.33	11.45	2.68	19.26
Liontrust MA Explorer 70 Fund S Acc	1.43	12.23	5.79	25.84
Liontrust MA Explorer 85 Fund S Acc	1.61	13.27	10.78	36.27
Liontrust MA Explorer 100 Fund S Acc	1.77	13.77	11.32	42.87

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Jun 23 to 30 Jun 24	30 Jun 22 to 30 Jun 23	30 Jun 21 to 30 Jun 22	30 Jun 20 to 30 Jun 21	30 Jun 19 to 30 Jun 20
Liontrust MA Explorer 35 Fund S Acc	9.81	-7.91	-9.73	0.68	3.82
Liontrust MA Explorer Income 45 Fund S Acc	10.39	-2.18	-13.36	6.40	3.90
Liontrust MA Explorer Income 60 Fund S Acc	11.45	2.34	-9.98	13.91	1.97
Liontrust MA Explorer 70 Fund S Acc	12.23	4.69	-9.96	18.87	0.07
Liontrust MA Explorer 85 Fund S Acc	13.27	8.05	-9.49	24.75	-1.40
Liontrust MA Explorer 100 Fund S Acc	13.77	9.58	-10.71	26.46	1.49

Source: Financial Express, as at 30 June 2024. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲

UK equities
Emerging market equities
North America equities
Corporate bonds
High yield bonds
Developed Asia equities

DIDN'T PERFORM AS WELL ▬

Japan equities
Europe ex-UK equities

FUND SELECTION

PERFORMED WELL ▲

Vontobel mtx Sustainable Emerging Markets Leaders
BA Beutel Goodman US Value
Liontrust UK Equity
HSBC American Index
Loomis Sayles US Growth Equity
Man GLG Sterling Corporate Bond Professional
GQG Partners US Equity
JOHCM UK Dynamic
Invesco UK Opportunities
Federated Hermes Asia ex-Japan
BlackRock Emerging Markets
Aegon High Yield Bond
Barings Global High Yield Bond

DIDN'T PERFORM AS WELL ▬

Ossiam Shiller Barclays CAPE US Sector Value
Liontrust GF Sustainable Future US Growth
Fidelity Asia Pacific Opportunities
M&G Japan
Baillie Gifford Japanese

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

BLENDED FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

ANTHONY CHEMLA

DAVID SALISBURY

PORTFOLIO CHANGES

BOUGHT

CT American Smaller Companies

Man GLG Sterling Corporate Bond

Royal London Corporate Bond

Abrdn Asia Pacific ex-Japan Tracker

SOLD

iShares S&P SmallCap 600

L&G Pacific Index Trust

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 31 Mar 24 to 30 Jun 24	1 YEAR 30 Jun 23 to 30 Jun 24	3 YEARS 30 Jun 21 to 30 Jun 24	5 YEARS 30 Jun 19 to 30 Jun 24
Liontrust MA Blended Reserve Fund S Acc	1.14	9.85	-6.40	0.50
Liontrust MA Blended Moderate Fund S Acc	1.20	11.07	-1.34	9.44
Liontrust MA Blended Intermediate Fund S Acc	1.46	12.37	3.77	17.84
Liontrust MA Blended Progressive Fund S Acc	1.69	13.16	8.17	25.19
Liontrust MA Blended Growth Fund S Acc	2.07	14.53	14.14	37.41

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Jun 23 to 30 Jun 24	30 Jun 22 to 30 Jun 23	30 Jun 21 to 30 Jun 22	30 Jun 20 to 30 Jun 21	30 Jun 19 to 30 Jun 20
Liontrust MA Blended Reserve Fund S Acc	9.85	-3.67	-11.54	4.48	2.76
Liontrust MA Blended Moderate Fund S Acc	11.07	-1.81	-9.53	8.87	1.88
Liontrust MA Blended Intermediate Fund S Acc	12.37	0.63	-8.23	13.32	0.21
Liontrust MA Blended Progressive Fund S Acc	13.16	3.43	-7.58	17.47	-1.47
Liontrust MA Blended Growth Fund S Acc	14.53	6.99	-6.84	23.43	-2.47

Source: Financial Express, as at 30 June 2024. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲

US equities
Emerging market equities
UK equities
Developed Asia equities
Corporate bonds
High yield bonds

DIDN'T PERFORM AS WELL ▬

Japan equities
Europe ex-UK equities
Medium-duration gilts

FUND SELECTION

PERFORMED WELL ▲

L&G US Index
Loomis Sayles US Growth Equity
L&G Emerging Markets Equity Index
Vontobel mtx Sustainable Emerging Markets Leaders
iShares UK Equity Index
Federated Hermes Asia ex-Japan
Man GLG Sterling Corporate Bond Professional
Barings Global High Yield Bond

DIDN'T PERFORM AS WELL ▬

iShares Japan Equity Index
Ossiam Shiller Barclays CAPE US Sector Value
Fidelity Asia Pacific Opportunities
iShares Japan Equity Index
M&G Japan
Liontrust European Dynamic
AB American Growth

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

DYNAMIC PASSIVE FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

ANTHONY CHEMLA

DAVID SALISBURY

PORTFOLIO CHANGES

BOUGHT

Abrdn Asia Pacific ex-Japan Tracker

SOLD

L&G Pacific Index Trust

HSBC Pacific Index

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 31 Mar 24 to 30 Jun 24	1 YEAR 30 Jun 23 to 30 Jun 24	3 YEARS 30 Jun 21 to 30 Jun 24	5 YEARS 30 Jun 19 to 30 Jun 24
Liontrust MA Dynamic Passive Reserve Fund S Acc	1.17	9.55	-4.40	4.99
Liontrust MA Dynamic Passive Moderate Fund S Acc	1.36	11.21	0.19	11.03
Liontrust MA Dynamic Passive Intermediate Fund S Acc	1.78	12.94	6.70	20.61
Liontrust MA Dynamic Passive Progressive Fund S Acc	2.16	13.95	12.22	28.97
Liontrust MA Dynamic Passive Growth Fund S Acc	2.90	15.94	19.16	41.09
Liontrust MA Dynamic Passive Adventurous Fund S Acc	3.23	17.08	19.59	47.29

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Jun 23 to 30 Jun 24	30 Jun 22 to 30 Jun 23	30 Jun 21 to 30 Jun 22	30 Jun 20 to 30 Jun 21	30 Jun 19 to 30 Jun 20
Liontrust MA Dynamic Passive Reserve Fund S Acc	9.55	-4.45	-8.66	4.09	5.51
Liontrust MA Dynamic Passive Moderate Fund S Acc	11.21	-2.52	-7.58	7.15	3.43
Liontrust MA Dynamic Passive Intermediate Fund S Acc	12.94	0.35	-5.85	10.84	1.98
Liontrust MA Dynamic Passive Progressive Fund S Acc	13.95	2.93	-4.32	15.21	-0.25
Liontrust MA Dynamic Passive Growth Fund S Acc	15.94	6.39	-3.39	20.96	-2.11
Liontrust MA Dynamic Passive Adventurous Fund S Acc	17.08	6.68	-4.24	23.70	-0.44

Source: Financial Express, as at 30 June 2024. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
US equities	Japan equities
Emerging market equities	Medium-duration gilts
UK equities	
Developed Asia equities	

FUND SELECTION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
L&G US Index	iShares Japan Equity Index
HSBC American Index	HSBC Japan Equity Index
iShares Emerging Markets Equity Index	L&G All Stocks Gilt Index
L&G Emerging Markets Equity Index	iShares UK Gilts All Stocks Index
iShares UK Equity Index	
Abrdn Asia Pacific ex-Japan Tracker	
L&G Pacific Index	

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

INCOME GENERATING FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

ANTHONY CHEMLA

DAVID SALISBURY

PORTFOLIO CHANGES

BOUGHT

CT American Smaller Companies

Royal London Corporate Bond

SOLD

iShares S&P SmallCap 600

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 31 Mar 24 to 30 Jun 24	1 YEAR 30 Jun 23 to 30 Jun 24	3 YEARS 30 Jun 21 to 30 Jun 24	5 YEARS 30 Jun 19 to 30 Jun 24
Liontrust MA Explorer 35 Fund S Inc	1.00	9.81	-8.70	-4.58
Liontrust MA Explorer Income 45 Fund S Inc	1.11	10.39	-6.44	3.43
Liontrust MA Explorer Income 60 Fund S Inc	1.33	11.45	2.68	19.26
Liontrust MA Monthly High Income Fund S Inc	1.05	9.82	-2.68	1.76
IA Mixed Investment 0-35% Shares	0.63	7.59	-2.46	5.57
IA Mixed Investment 20-60% Shares	1.14	9.38	2.83	15.20

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Jun 23 to 30 Jun 24	30 Jun 22 to 30 Jun 23	30 Jun 21 to 30 Jun 22	30 Jun 20 to 30 Jun 21	30 Jun 19 to 30 Jun 20
Liontrust MA Explorer 35 Fund S Inc	9.81	-7.90	-9.72	0.73	3.75
Liontrust MA Explorer Income 45 Fund S Inc	10.39	-2.18	-13.36	6.40	3.90
Liontrust MA Explorer Income 60 Fund S Inc	11.45	2.34	-9.98	13.91	1.97
Liontrust MA Monthly High Income Fund S Inc	9.82	-1.31	-10.20	7.91	-3.11
IA Mixed Investment 0-35% Shares	7.59	-0.85	-8.57	6.86	1.27
IA Mixed Investment 20-60% Shares	9.38	1.18	-7.09	12.74	-0.63

Source: Financial Express, as at 30 June 2024. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees. IA Mixed Investment 0-35% Shares is the comparator benchmark for the Liontrust MA Explorer 35 Fund and the Liontrust MA Monthly High Income Fund. IA Mixed Investment 20-60% Shares is the comparator benchmark for the Liontrust MA Explorer Income 45 Fund and the Liontrust MA Explorer Income 60 Fund.

ASSET ALLOCATION

PERFORMED WELL ▲

- UK equities
- Emerging market equities
- Corporate bonds
- High yield bonds
- US equities
- Global ex-UK bonds

DIDN'T PERFORM AS WELL ▬

- Japan equities
- Europe ex-UK equities

FUND SELECTION

PERFORMED WELL ▲

- Man GLG Sterling Corporate Bond Professional
- Liontrust UK Equity
- Invesco UK Opportunities
- L&G UK Index
- JPM Emerging Markets Income
- JOHCM UK Dynamic
- BA Beutel Goodman US Value
- HSBC American Index
- Federated Hermes Asia ex-Japan
- Vontobel mtx Sustainable Emerging Markets Leaders
- Vanguard Global Aggregate Bond

DIDN'T PERFORM AS WELL ▬

- Ossiam Shiller Barclays CAPE US Sector Value
- Liontrust GF Sustainable Future US Growth
- M&G Japan
- L&G Global Real Estate Dividend Index
- Fidelity Asia Pacific Opportunities
- Baillie Gifford Japanese
- Liontrust European Dynamic

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

SPECIALIST FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

ANTHONY CHEMLA

DAVID SALISBURY

PORTFOLIO CHANGES

BOUGHT

No new funds were added during the quarter

SOLD

There were no fund exits during the quarter

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 31 Mar 24 to 30 Jun 24	1 YEAR 30 Jun 23 to 30 Jun 24	3 YEARS 30 Jun 21 to 30 Jun 24	5 YEARS 30 Jun 19 to 30 Jun 24
Liontrust MA UK Equity S Acc	3.19	12.07	13.28	22.65
IA UK All Companies	3.84	12.60	9.43	24.29

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Jun 23 to 30 Jun 24	30 Jun 22 to 30 Jun 23	30 Jun 21 to 30 Jun 22	30 Jun 20 to 30 Jun 21	30 Jun 19 to 30 Jun 20
Liontrust MA UK Equity S Acc	12.07	6.32	-4.93	21.86	-11.15
IA UK All Companies	12.60	6.20	-8.49	27.66	-11.03

Source: Financial Express, as at 30 June 2024. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
UK equities	N/A

FUND SELECTION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
JOHCM UK Equity Income	WS Lindsell Train UK Equity
JOHCM UK Dynamic	
iShares UK Equity Index	
Liontrust UK Equity	
iShares 100 UK Equity Index	
Artemis Income	
iShares MSCI UK Small Cap	

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

IMPORTANT INFORMATION

KEY RISKS

Past performance does not predict future returns. You may get back less than you originally invested.

The Funds and Model Portfolios managed by the Multi-Asset Team may be exposed to the following risks:

Credit Risk: There is a risk that an investment will fail to make required payments and this may reduce the income paid to the fund, or its capital value. The creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay;

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss;

Liquidity Risk: If underlying funds suspend or defer the payment of redemption proceeds, the Fund's ability to meet redemption requests may also be affected;

Interest Rate Risk: Fluctuations in interest rates may affect the value of the Fund and your investment. Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result;

Derivatives Risk: Some of the underlying funds may invest in derivatives, which can, in some circumstances, create wider fluctuations in their prices over time;

Emerging Markets: The Fund may invest in less economically developed markets (emerging markets) which can involve greater risks than well developed economies;

Currency Risk: The Fund invests in overseas markets and the value of the Fund may fall or rise as a result of changes in exchange rates.

Index Tracking Risk: The performance of any passive funds used may not exactly track that of their Indices.

The issue of units/shares in the Liontrust Multi-Asset 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.

For the Liontrust Multi-Asset Model Portfolios, any performance shown represents model portfolios which are periodically restructured and/or rebalanced. Actual returns may vary from the model returns. There is no certainty the investment objectives of the portfolio will actually be achieved, and no warranty or representation is given to this effect, whether express or implied. The portfolios therefore should be considered as long-term investments.

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