

Liontrust Economic Advantage

LIONTRUST SPECIAL SITUATIONS FUND

FOR PROFESSIONAL INVESTORS
AND ADVISERS ONLY
MARKETING COMMUNICATION

LIONTRUST
COURAGE · POWER · PRIDE

The award-winning Special Situations Fund has been managed since launch in November 2005 by Anthony Cross, who was joined by co-managers Julian Fosh in 2008 and Victoria Stevens and Matt Tonge in 2023.

The process seeks to identify companies with a durable competitive advantage that allows them to defy industry competition and sustain a higher than average level of profitability for longer

than expected. The Fund invests at least 90% of the portfolio in companies incorporated, domiciled or which conduct significant business in the United Kingdom (UK).

Reasons to invest in the Fund

Long-term performance: The Fund has returned 473.9% since launch in 2005 against 175.3% by the FTSE All Share index and 150.0% by the IA UK All Companies sector

Annualised returns: Since launch, the Fund has generated annualised returns of 10.2% against 5.8% by the FTSE All Share index and 5.2% by the IA UK All Companies sector

Ranking: The Fund is ranked 2nd out of 127 funds in the IA UK All Companies sector since launch

Proven investment process: The Fund is managed using the Economic Advantage investment process. This process has been applied to the management of funds at Liontrust for more than 25 years

Active management: The Fund can have zero weighting to certain sectors, such as banks and miners, where the intangible assets the managers seek are scarce. By contrast, the portfolio has high exposure to manufacturing and engineering companies that are rich in intellectual property (IP)

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to the Key Risks on page 7 for more information.

Stockpicking: The managers apply a bottom-up, stock-picking process, without ties to index sector weightings. The Active Share of the portfolio, comprising 56 stocks, versus the FTSE All-Share Index is 71.1%

Experienced team: The award-winning Economic Advantage team has an average industry experience of 22 years

Attractive valuations: The UK stock market as a whole represents a 32% discount to intrinsic value and this rises to 49% for small caps. This compares to 40% above intrinsic value for the US market and a 7% discount for the European ex UK market and a 2% discount for the Asia-Pacific market (Source: Liontrust, Canaccord Genuity Quest, 06.09.23)

High-quality portfolio: A portfolio of high-quality compounders – cash generative, resilient businesses with globally diversified customer bases and strong balance sheets

Economic Advantage investment process



The process seeks to identify companies that possess intangible assets which produce barriers to competition and provide a durable competitive advantage that allows the companies to defy industry competition and sustain a higher than average level of profitability for longer than expected.



These intangible assets produce barriers to competition, protect margins and are capable, in the opinion of the fund managers, of reaping a financial advantage in the form of cash flow returns in excess of the cost of capital. A company that consistently generates excess cash flow returns will benefit from compounding as it reinvests this excess return into the business.



In the fund managers' experience, the hardest characteristics for competitors to replicate are three classes of intangible asset: intellectual property, strong distribution channels and significant recurring business.



The Fund has hallmarks of a 'quality' style of investing – companies generating high, consistent returns with strong solvency or balance sheets. Quality companies will often outperform in difficult economic conditions.



Other less powerful but nonetheless important intangible strengths include franchises and licenses; good customer databases and relationships; effective procedures and formats; strong brands and company culture.



Every smaller company held in the Fund has at least 3% of its equity held by senior management and main board directors. Companies are also assessed for employee ownership below the senior management and board and changes in equity ownership are monitored.

Fund facts

12.3%

average cash flow return on capital¹

31

Number of bids the Fund's companies have received since inception

92.9%

of holdings paying a dividend

53%

of small and mid cap holdings with net cash

11.1x

average P/E of holdings

76.3%

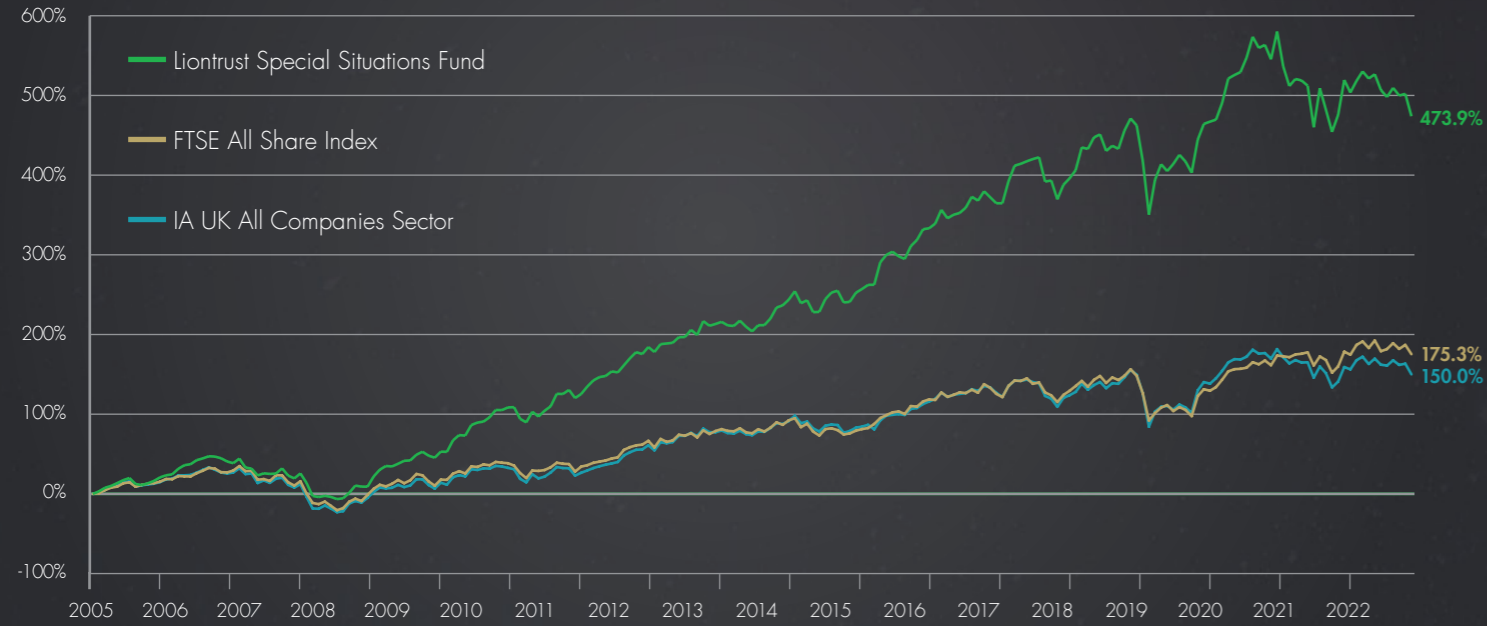
overseas sales in the Fund's holdings

Source: Liontrust, FE Analytics, Style Analytics, as at 31.10.23. Primary share class, bid-to-bid, net of fees, income reinvested basis, total return. Percentage returns from launch (10.11.05), versus comparator benchmarks FTSE All Share Index and the IA UK All Companies Sector. Quartile performance and sector rankings correct as at 31.10.23, generated 07.11.23. ¹Canaccord Genuity Quest™, prices as at 05.10.23; P/E Price to Earnings ratio.

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Performance of the Special Situations Fund

Cumulative returns (since launch)



Source: Data at 31.10.23. FE Analytics, primary share class, bid-to-bid, net of fees, income reinvested basis, total return. Percentage returns from launch (10.11.05), versus comparator benchmarks FTSE All Share Index and the IA UK All Companies Sector.

Discrete years' performance (%)*

To previous quarter, 12 months ending:	Sep-23	Sep-22	Sep-21	Sep-20	Sep-19
Liontrust Special Situations I Inc	8.6	-16.0	27.6	-3.7	2.8
FTSE All-Share Index	13.8	-4.0	27.9	-16.6	2.7
IA UK All Companies	12.8	-15.3	32.4	-12.8	0.0
Quartile	4	3	3	1	2

Source: Data at 30.09.23. FE Analytics, primary share class, bid-to-bid, net of fees, income reinvested basis, total return. Percentage returns from launch (10.11.05), versus comparator benchmarks FTSE All Share Index and the IA UK All Companies Sector. Quartile performance and sector rankings correct as at 30.09.23, generated 09.10.23.

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Meet the experienced Economic Advantage team

The award-winning Economic Advantage team has an average industry experience of 22 years.

Anthony Cross, Julian Fosh, Victoria Stevens, Matt Tonge, Alex Wedge and Natalie Bell manage the Liontrust Economic Advantage Process. Anthony, who was previously at Schroders, has applied the investment process to funds since 1998 and he started working with Julian at Liontrust in 2008. Julian has previously managed money at Scottish Amicable Investment Managers, Britannic Investment Managers, Scottish Friendly Assurance Society and Saracen Fund Managers.

Victoria Stevens and Matt Tonge joined the team in 2015 to research and analyse investment opportunities primarily across the small cap universe. In Victoria's previous role as deputy head of corporate broking at FinnCap, she built up an extensive knowledge of the smaller company investment universe. Matt added trading

and analytical expertise to the team, having spent the previous nine years on the Liontrust dealing desk, latterly winning an industry award for his work in mid and small cap stocks.

Alex Wedge joined the team in March 2020 from N+1 Singer, one of the largest dedicated small cap brokers in London. Alex spent over seven years at N+1 Singer, latterly as a senior member of the equity sales team. His role included developing and communicating investment ideas to buy-side clients, as well as advising corporate clients on shaping their investment case and raising equity capital.

Natalie Bell joined the team in August 2022, having previously been a member of the Liontrust Responsible Capitalism team where she led engagement with investee companies.



Anthony Cross



Julian Fosh



Victoria Stevens



Matt Tonge



Alex Wedge



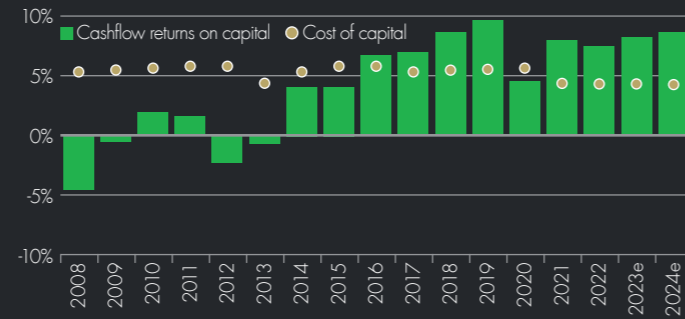
Natalie Bell

Stock examples

Coats Group

- The world's leading manufacturer of industrial threads.
- Market leader in core Apparel and Footwear threads business.
- Growing presence in Performance Materials, serving targeted end-use sectors such as Personal Protection, Transportation and Telecoms & Energy.
- Distribution network: A sales presence in around 100 countries, 50 manufacturing sites and employees across six continents enable the business to serve its 34,000 customers wherever they may be located.
- Intellectual property: A strong culture of innovation, research and new product development underpins the business. 17 new products were launched in 2022.
- Financial returns: Quest 'value destroyer' turning 'value creator' – though with 'Covid dip'.
- Undervalued on three out of five standard Quest valuation measures.

Financial advantage



Coats share price (pence)

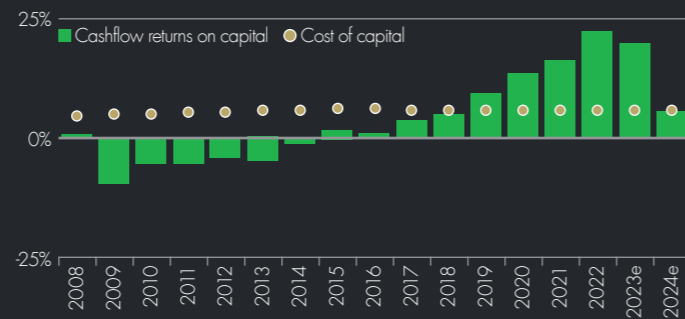


Source: as at 25.04.23. Canaccord Genuity Quest. Cash flow returns on capital: post-tax, real economic return on total invested capital. Cost of capital: real weighted average cost of capital. 2023 and 2024 are estimated values. Estimates are not a reliable indicator of actual performance. Share price source: Bloomberg, data 31.12.17 to 30.09.23.

YouGov

- Leading market research, analytics and data company, with mission statement to "offer unparalleled insight into what the world thinks".
- Intellectual Property: Competitive advantage stems from vast and ever-growing database, amassed over 20 years and derived from global 'panel' of more than 24 million individuals contributing opinions, habits and preferences on a regular basis.
- This hugely valuable source of connected data underpins YouGov's technology and analytics platform. The platform powers a broad product suite, increasingly sold on a subscription basis – allowing clients to conduct surveys and polls, track brand presence, campaign success and competition, or plan and optimise marketing campaigns around particular market segments.
- Distribution: Panellists registered across 59 markets globally, one of the largest research networks in the world. 39 offices and over 1,650 employees globally across UK, Europe, Americas, Asia Pacific, Middle East and India.
- Quest: Profile of strong and growing cash flow returns on capital; also scores highly on proprietary risk framework.

Financial advantage



YouGov share price (pence)



Source: as at 05.06.23, Canaccord Genuity Quest. Cash flow returns on capital: post-tax, real economic return on total invested capital. Cost of capital: real weighted average cost of capital. 2023 & 2024 are estimated numbers. Estimates are not a reliable indicator of actual performance. Share price source: Bloomberg, data from 31.12.18 to 30.09.23.

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

Key risks

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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.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number 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.

The Fund will invest in smaller companies and may invest a small proportion (less than 10%) of the Fund in unlisted securities. There may be liquidity constraints in these securities from time to time, i.e. in certain circumstances, the fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the fund to defer or suspend redemptions of its shares.

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.

Disclaimer

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www.liontrust.co.uk/funds/special-situations-fund



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