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Liontrust GF European Smaller Companies Fund

April 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A5 share class returned -0.5%* in euro terms in April. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -1.9%.

The April edition of the IMF's World Economic Outlook highlighted the inflationary impact and economic damage from Russia's invasion of Ukraine, trimming its 2022 global economic growth forecast from 4.4% to 3.6%, which compares with the 6.1% expansion in 2021.

China's adherence to a zero-Covid policy through renewed lockdown measures will also exacerbate the strain already being felt in global supply chains, an issue highlighted by Apple's warning in April of a \$4bn to \$8bn Q2 headwind from the disruption.

As ever-higher inflation readings feed through, central bankers reiterated their willingness to take sharper action in March. US consumer price inflation of 8.5% in March is the highest in four decades, while the UK equivalent sits at a 30-year high of 7.0%. Minutes from the March meeting of the US Federal Reserve's rate-setting committee showed some willingness to push through a 50 basis point interest rate increase, and comments later in the month from Fed Chair Jerome Powell appeared to support the case for 'front-loading' rate rises.

Despite high inflation expectations, the prospect of interest rate rises is pushing bond yields up sufficiently to boost real yields; the US 10 year yield moved back into positive territory during the month.

The sector return profile of the European market shows that investors responded to these developments by shunning cyclicals in favour of defensive areas. Weak returns from IT (-6.9%), real estate (-5.7%), consumer discretionary (-3.0%), finance (-2.9%) and industrials (-2.8%) dragged the MSCI Europe Index lower, while consumer staples (+4.2%), utilities (+2.6%) and communication services (+2.3%) were among the top performers.

While there was little significant newsflow from the Fund's stronger holdings in April, there were a couple of investor updates among the portfolio detractors. **Impax Asset Management** (-12%) shares slid after a quarterly assets under management update showed an 8% fall to £38.0bn. Although the company received net inflows of £468m, market movements and investment performance wiped £3.8bn off the total. The company has seen rapid growth in both its assets under management and share price in recent years as sustainable investing has come to the fore, but this setback led to some profit taking in April.

ATOSS Software (-22%) fell heavily despite stating that it grew sales by 13% in Q1 to €26m, driven by a 77% increase in cloud services. Order intake was also very strong, with software licence order growth of 37% to €11m. In January, shares in the company rose as it increased its 2022 sales forecast to €110m. It maintained this forecast within Q1 results, but the lack of a further upgrade perhaps contributed to the share price weakness.

Although **Indivior** (+12%) released Q1 results in April, these came on penultimate trading day of the month, after shares in the company had already risen strongly. The pharmaceutical company saw further good growth in its *Sublocade* treatment for opioid addiction, registering a 14% quarter-on-quarter rise in net revenue to \$85m. This helped compensate for the slowdown in its generic-threatened Suboxone treatment and drive 15% growth in overall net revenue to £207m. Indivior maintained its full-year targets.

Positive contributors to performance included:

Tethys Oil (+19%), Indivior (+12%) and Deutsche Pfandbriefbank (+9.0%)

Negative contributors to performance included:

Atoss Software (-22%), Impax Asset Management (-12%) and Marks & Spencer (-11%).

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

Past performance does not predict future returns

	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Liontrust GF European Smaller Companies A5 Acc EUR	8.6%	69.9%	-21.8%	-2.6%	1.0%
MSCI Europe Small Cap	1.9%	61.2%	-18.1%	-1.3%	8.3%

*Source: Financial Express, as at 31.03.22, total return (net of fees and income reinvested).

**Source: Financial Express, as at 31.03.22, 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 ¹	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
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	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) ²	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.

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