



This is a marketing communication

Liontrust GF European Smaller Companies Fund

June 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A3 share class returned -8.8%* in euro terms in June. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -11.8%.

The World Bank's June edition of its Global Economic Prospects warned of several years of above-average inflation and below-average growth as it cut its 2022 growth forecast from 4.1% (at the time of the January report) to 2.9%.

One of the factors in the downgrade is the impact of interest rate normalisation, and this continued apace in June. A Wall Street Journal article leaked the US Federal Reserve's intention to raise rates by 0.75%, rather than the 0.5% previously expected, and a couple of days later the central bank duly delivered its largest hike since 1994. Fed Chair Jay Powell later commented in Senate testimony that a US recession is "certainly a possibility" and was largely out of its control. Following news that the UK economy had shrunk 0.3% in April, the Bank of England continued its tightening with a fifth consecutive hike, but opted for another 25 basis point increase rather than a larger move.

The rapid rise in interest rate expectations this year had contributed to the MSCI Europe Value Index outperforming its Growth counterpart by almost 19 percentage points year-to-date heading into June. Despite the monetary tightening seen in June, investors are now increasingly focused on the potential recessionary impact of high rates, with the likelihood that this may necessitate future cuts. The market expectation for US peak rates in this cycle shifted up from under 3.0% to nearly 3.5%, but it is also now expected to peak earlier – the first half of 2023 – with cuts taking it back under 3.0% by the end of 2023.

Against this backdrop, the MSCI Europe Value Index fell more heavily during June's market drop, returning -9.1% compared with -6.3% for Growth.

All sectors of the MSCI Europe Index registered negative returns during June, although those viewed as typically defensive held up best: health care (-2.3%), consumer staples (-2.5%), and communication services (-4.2%). The more cyclical areas of real estate (-17%), materials (-15%), energy (-11%), IT (-11%) and industrials (-11%) were hardest hit.

Amid resurgent recessionary fears, Fund holdings exposed to cyclical weakness included jewellery retailer **Pandora** (-19%), steel wire manufacturer **Bekaert** (-17%), financial services provider **Deutsche Pfandbriefbank** (-17%), merchandise specialist **4imprint** (-14%), recruiter **PageGroup** (-14%) and retailer **WH Smith** (-13%).

Electrical supplies distributor **Rexel** (-23%) suffered a heavy fall despite issuing a strategic update which included raised 2022 financial guidance. The company said that a better-than-expected start to the year in all geographies means that it expects 7% to 9% like-for-like sales growth in 2022, up from 4% to 6% previously. Operating profit margins are also expected to be higher at 6.7% rather than 6.0% previously expected. Its new four-year targets through to 2025 are for sales growth of 4% to 7% per annum and a margin of 6.5% to 7.0%.

Economic growth concerns together with an Opec agreement to increase output saw the oil price pull back from its highs. The energy sector lost ground and the Fund's holdings - **BW Offshore** (-25%) and **Tethys Oil** (-24%) – were among the heavier fallers.

Given the very broad-based nature of the market's weakness, only a few holdings ended June with a positive return. Defensive characteristics helped Swiss telecoms operator **Mobilezone Holding** (+10%) and drinks group **Royal Unibrew** (+3.3%) move higher, while market research firm **Ipsos** (+0.2%) was just in positive territory.

Positive contributors to performance included:

Mobilezone Holding (+10%), Royal Unibrew (+3.3%) and Ipsos (+0.2%).

Negative contributors to performance included:

BW Offshore (-25%), Tethys Oil (-24%) and Rexel (-23%).

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

Past performance does not predict future returns

	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Liontrust GF European Smaller Companies A3 Acc EUR	-9.9%	59.6%	-10.7%	-2.4%	2.3%
MSCI Europe Small Cap	-17.7%	43.1%	-4.1%	-4.4%	9.8%

*Source: Financial Express, as at 30.06.22, total return (net of fees and income reinvested).

**Source: Financial Express, as at 30.06.22, 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 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 (SRR1) 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. SRR1 = 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.