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Liontrust GF UK Growth Fund

June 2022 review

Fund managers: Anthony Cross and Julian Fosh

The Liontrust GF UK Growth Fund returned -6.0%* in June. The Fund's comparator benchmark, the FTSE All-Share, returned -6.0%.

The UK market suffered its worst monthly fall of 2022 so far as investors increasingly viewed aggressive central bank action on inflation as likely to tip the economy into recession.

While the FTSE All-Share Index's total return is -4.6% year-to-date (and -6.4% in price terms), several other global equity indices – including the S&P500 – are close to, or below, the 20% drop which is often used to arbitrarily define a bear market.

In this risk-off environment, the more defensive areas of the UK market such as healthcare (+2.0%), telecoms (+0.1%) and consumer staples (-2.0%) were the most resilient. This year's trend of large-cap outperformance was also extended: the FTSE 100's -5.5% return takes its year-to-date performance to -1.0%, but the FTSE 250 returned -8.3%, taking it to -19.4% for 2022, with its price drop of 20.5% sitting the wrong side of that bear market line.

The energy sector has been the UK market's strongest area by some margin this year as the Ukraine war has disrupted supply, but this support turned to a headwind in June. Having almost doubled over the prior 12 months, the Brent crude oil price slipped 6.5% to \$115 a barrel during June. The Fund's sector holdings weakened; **Shell** (-10%) and **BP** (-11%) registered double-digit percentage losses and **John Wood Group** (-35%) fell heavily despite announcing the disposal of its built-environment consulting business for \$1.9bn, having put the unit up for sale earlier this year. **Petrofac** (-21%) also dropped as the oil price trend compounded negative sentiment created by a late-May AGM statement which flagged the impact of cost pressures on the outlook for 2022 performance.

EMIS Group (+43%) was the latest portfolio beneficiary of takeover interest as its Board recommended a £1.24bn offer from US-based healthcare and insurance provider UnitedHealth Group. The cash offer of 1925p a share is 29% above the level prior to its announcement and 32% higher than EMIS's prior all-time high of 1460p. The deal is expected to complete by the end of the year; shares in EMIS jumped to trade at a small discount to the offer price.

Ultra Electronics Holdings (+6.9%) recommended a takeover offer from defence sector peer Cobham last year, but the deal is subject to government approval. There was positive news on this front in June as the Secretary of State for Business, Energy and Industrial Strategy announced that he is minded to accept the national security undertakings offered by Cobham. Formal approval is now expected to follow a public consultation which ends in July. Having traded below £31 prior to the announcement, shares in Ultra Electronics jumped to within 50p of the £35 offer price.

Things have so far gone less well for **Next Fifteen Communications** (-17%) in its pursuit of M&C Saatchi. A share price slide since it made a cash-and-shares offer for M&C Saatchi mean that its bid is now worth less than the prior offer made by AdvancedAdvT Limited, an acquisition vehicle chaired by Vin Murria, also a director of M&C Saatchi. In response to the falling implied value of Next Fifteen Communication's bid, the Board of M&C Saatchi has withdrawn its prior recommendation of the offer. Next Fifteen Communications has maintained its offer despite the share price fall and loss of Board support. It also issued a statement commenting that trading is strong and that adjusted profit before tax is ahead of management expectations.

A **BAE Systems** (+10%) trading update maintained the 2022 financial guidance issued back in February, but also highlighted the strength of order intake, especially for long-term programmes, as many key countries announced increased spending on defence.

Positive contributors included:

EMIS Group (+43%), BAE Systems (+10%), Ultra Electronics Holdings (+6.9%), AstraZeneca (+3.3%) and GSK (+1.9%).

Negative contributors included:

John Wood Group (-35%), Synthomer (-27%), Petrofac (-21%), Next Fifteen Communications (-17%) and TI Fluid Systems (-17%).

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 UK Growth C3 Inst Acc GBP	13.1%	23.5%	-13.5%	6.4%	2.0%
FTSE All Share	13.0%	26.7%	-18.5%	6.4%	1.2%

	Mar-17	Mar-16
Liontrust GF UK Growth C3 Inst Acc GBP	21.9%	1.9%
FTSE All Share	22.0%	-3.9%

*Source: Financial Express, as at 31.05.2022, 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 31.03.2021, 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 (SRRRI) ²	5
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 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.

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