



This is a marketing communication

Liontrust GF European Smaller Companies Fund

March 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A5 share class returned -1.5%* in euro terms in March. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned 0.7%.

Although the Russian invasion of Ukraine dominated headlines throughout the month, the European equity market was able to rally from its lows on 7th March in order to regain its pre-conflict levels by the end of the month. With little indication that a resolution to the war is close, it is difficult to say what drove this recovery in sentiment. It certainly wasn't due to any easing in the other major factor investors are grappling with: inflation. Supply disruptions and financial sanctions as a result of Russia's invasion will accentuate the inflationary pressures which are already threatening to choke off economic growth.

Key central banks moved to combat this rapidly rising tide of prices by tightening policy during March. Most significantly, the US Federal Reserve not only delivered an expected 25 basis point rate hike but also indicated hikes were probable at each of its policy meetings this year, with some of them likely to involve 50 basis point increases. The Bank of England raised interest rates from 0.5 per cent to 0.75 per cent and the European Central Bank sped up the tapering of its asset purchase programme.

At the start of this year, we commented on the evolution in the nature of the market's value rally – away from contrarian value names and towards those value stocks with evidence of recovery and momentum. The war has accentuated this trend, with energy stocks the most obvious example of a value sector benefitting from ongoing momentum. The oil price rose by a further 7% in March to \$108 a barrel, having spiked to over \$125 intra-month, and the energy sector of the MSCI Europe Index rose 5.4%. The Fund has exposure to this strength via holdings in **Tethys Oil** (+19%) and **BW Offshore** (+7.6%), both of which notched up large gains without issuing any significant corporate news.

By contrast, some more cyclical areas of the market are suffering due to fears of economic slowdown or even stagflation as a result of the supply-side shock to economies from the war in Ukraine. The worst performing sector of European markets was consumer discretionary, down 6.1%. The Fund's consumer stocks were its weakest area. Retailers **Marks & Spencer** (-12%) and **WH Smith** (-12%) both slid while Danish drinks company **Royal Unibrew** (-11%) was also among the largest portfolio detractors. Neither Marks & Spencer nor WH Smith issued updates on trading during the month, although the former announced changes to senior management as its CEO stepped down. Royal Unibrew's 2022 earnings guidance fell short of expectations. The company referenced high uncertainty in relation to geopolitics, raw material prices and Covid-19 when targeting operating profit growth of DKK1.65bn – DKK 1.80bn, compared with the DKK1.65bn achieved in 2021.

PageGroup (-15%) was another faller, albeit after issuing 2021 results which detailed a very strong recovery from the previous year's pandemic-affected result. Gross profit for the recruitment group rose 49% year-on-year to £878m, also 7% higher than its 2019 level. Following a strong share price performance over the last year, a fairly cautious outlook statement may have triggered some profit-taking.

There was a better investor response to **Deutsche Pfandbriefbank's** (+13%) 2021 results which saw pre-tax profit of €242m come in ahead of consensus estimates of €228m. There has been no immediate impact on the company from the war in Ukraine or sanctions against Russia. Higher planned investments for 2022 mean that the bank is targeting profit before tax in the range of €200m to €220m.

Positive contributors to performance included:

Deutsche Pfandbriefbank (+13%), Tethys Oil (+19%) and BW Offshore (+7.6%)

Negative contributors to performance included:

PageGroup (-15%), Marks & Spencer (-12%) and WH Smith (-12%).

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.

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 (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.

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.

Disclaimer

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.