



Liontrust Special Situations Fund

June 2023 review

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The Liontrust Special Situations Fund returned -1.5%* in June. The FTSE All-Share Index comparator benchmark returned 1.0% and the average return in the IA UK All Companies sector, also a comparator benchmark, was -0.4%.

The direction of interest rates was once again the primary market narrative in June. The US Federal Reserve's decision to hold rates steady at a 5.0% to 5.25% target range after 10 consecutive hikes was communicated as merely a pause in the pace of tightening, and a hawkish one at that, with its rate-setting committee forecasting 50 basis points (bps) of additional increases by the end of the year.

There was no let up in the tightening cycle in Europe, where the European Central Bank increased rates by 25bps to 3.5%, or the UK, where the Bank of England surprised with a 50 basis point hike – its 13th consecutive increase - to 5.0% after headline consumer price inflation remained stubbornly high at 8.7% in May, the same level as April and defying forecasts of an easing to 8.4%. By the end of May, futures prices were suggesting the Bank of England base rate will continue to rise to a peak of 6.25% early in 2024.

The emergence of country-specific factors – such as Brexit-related labour shortages – which have driven expectations of UK inflation and interest rates higher than many other developed markets has coincided with a period of relative strength for the typically more internationally diversified FTSE 100 large-cap index. The FTSE 100 returned 1.4% in June, outperforming the FTSE 250 mid-cap index's -1.3% return. Since the start of 2022, the FTSE 100 has now outperformed the FTSE 250 by 23 percentage points.

Although the Fund's overweight position in mid and small caps relative to the FTSE All-Share Index leaves it exposed to top-down shifts in sentiment towards these segments, we believe many of our mid and small caps can already be considered genuinely global businesses, with all the benefits of geographic diversification and growth runway which that entails. Data from Factset estimates the portfolio's overseas sales exposure to be around 77%, in line with the FTSE All Share benchmark, despite its greater weighting towards mid and small caps.

Amid a fairly light month for portfolio newsflow, **Paypoint** (+25%) made strong gains on the back of a short trading update which confirmed its prior estimate of £125m revenue in the year to 31 March and upgraded profits guidance to the top end of market expectations. Shares in the convenience store payments and e-commerce specialist have de-rated somewhat since announcing the acquisition of gift card group Appreciate late last year, but regained some impetus from June's statement. Paypoint commented that the integration of Appreciate has progressed well, and has accelerated its ability to create enterprise-level product packages.

Having issued a very positive full-year trading update in January which raised revenue guidance, shares in **Learning Technologies Group** (-16%) have since struggled for momentum. Subsequent full-year results in April noted a more challenging macro environment and forecast high single-digit growth in operating profit, below the pace some investors expected. In June, the workplace digital learning and talent management group issued a short AGM statement which reiterated its assessment of a difficult macroeconomic backdrop and referred to "moderate business development".

While the company's short-term outlook has been underwhelming for some, we think its longer-term prospects remain attractive. Learning Technologies provides a turnkey solution for clients in the creation, implementation, maintenance and measurement of their learning and talent management strategies. Having listed on AIM in

2013, the company has a long and successful history of acquiring and integrating smaller businesses into its global offering. In May 2020, the company raised around £80 million to take advantage of further acquisition opportunities from the pandemic and has since completed several acquisitions, including the £370m deal for GP Strategies in 2021.

Positive contributors included:

Paypoint (+25%), Brooks Macdonald Group (+16%), TI Fluid Systems (+12%), Sage Group (+7.0%) and Shell (+5.5%).

Negative contributors included:

Impax Asset Management (-19%), Smart Metering Systems (-13%), Learning Technologies Group (-16%), GlobalData (-8.6%) and PageGroup (-7.7%).

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

Past performance does not predict future returns

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust Special Situations I Inc	6.8%	-11.0%	24.6%	-7.7%	6.5%
FTSE All Share	7.9%	1.6%	21.5%	-13.0%	0.6%
IA UK All Companies	6.2%	-8.5%	27.7%	-11.0%	-2.2%
Quartile	3	3	3	2	1

*Source: Financial Express, as at 30.06.23, total return (net of fees and income reinvested), bid-to-bid, institutional class.

**Source: Financial Express, as at 30.06.23, total return (net of fees and income reinvested), bid-to-bid, primary class.

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.

A proportion of the portfolio is invested in smaller companies and companies traded on the Alternative Investment Market. These stocks may be less liquid and the price swings greater than those in, for example, larger companies.

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