

Cashflow Solution

October 2023 review

Liontrust GF European Smaller Companies



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The Fund's A3 share class returned -5.7%* in euro terms in October. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned -5.9%.

Most markets fell in October as investors grappled with ongoing inflationary pressures and adjusted to the possibility that interest rates may remain high for some time, while the unfolding crisis in the Middle East has also added a degree of geopolitical uncertainty. In Europe, the European Central Bank left its deposit rate unchanged at 4%, altering its path after ten consecutive rate hikes, though the bank did not rule out further tightening.

Sector returns were broadly negative for the period, with the exception of utilities (+0.5%) which posted a marginally positive return. The weakest sectors in the European market were healthcare (-5.4%), consumer discretionary (-5.2%), industrials (-4.8%) and financials (-4.5%).

Danish jewellery manufacturer and retailer **Pandora** (+9.5%) rose after a positive update at its capital markets day, where the company announced new financial targets which were well received by the market. Pandora announced an EBIT margin target of 26-27% by 2026, an increase from c.25% in 2023. Furthermore, the company expects revenue to reach DKK 34-36 billion in 2026, up DKK 7-9 billion from the expectation of around DKK 27 billion for 2023.

Freenet (+7.9%) strengthened over the period, despite there being no updates on trading from the German telecommunications and web content provider.

Online real estate property portal **Rightmove** (-16%) fell on the news of a takeover bid of rival company OnTheMarket by US property data company CoStar. In the announcement, OnTheMarket commented that it plans to build up scale and directly challenge Rightmove.

Swedish cloud-based accounting software company **Fortnox** (-26%) was also among the detractors, dropping on the release of its interim report to September. Analysts were disappointed with the company's organic growth figures which amounted to 25% - Fortnox blamed the drop from 35% the previous year on generally lower activity in the market.

Verallia (-18%), the producer of glass packaging for beverages and food products, fell on the announcement of its results for the first nine months of the year. Despite reporting an increase in revenue, the company stated that it observed a drop in demand since August due to slowing consumption and ongoing destocking along the value chain. Following these deteriorating market conditions, Verallia announced that it would adjust production capacity as it prepares for more stable market conditions in 2024.

Positive contributors to performance included:

Pandora (+9.0%), Freenet (+7.9%) and Ipsos (+5.3%)

Negative contributors to performance included:

Fortnox (-26%), Verallia (-18%) and Rightmove (-16%).

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

	Sep-23	Sep-22	Sep-21	Sep-20	Sep-19
Liontrust GF European Smaller Companies A3 Acc EUR	14.2%	-20.7%	59.1%	-1.9%	-6.7%
MSCI Europe Small Cap	14.0%	-26.9%	38.0%	0.2%	-1.8%

	Sep-18
Liontrust GF European Smaller Companies A3 Acc EUR	2.0%
MSCI Europe Small Cap	3.4%

*Source: Financial Express, as at 31.10.23, total return (net of fees and income reinvested).

**Source: Financial Express, as at 30.09.23, 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
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	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 (SRRI) 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. SRRI = 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 does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

The Fund may, under certain circumstances, invest in derivatives, but it is not intended that their use will materially affect volatility. Derivatives are used to protect against currencies, credit and interest rate moves or for investment purposes. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions. The use of derivatives may create leverage or gearing resulting in potentially greater volatility or fluctuations in the net asset value of the Fund. A relatively small movement in the value of a derivative's underlying investment may have a larger impact, positive or negative, on the value of a fund than if the underlying investment was held instead. The use of derivative contracts may help us to control Fund volatility in both up and down markets by hedging against the general market.

The Fund may encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings.

The Fund uses derivative instruments that may result in higher cash levels. Outside of normal conditions, the Fund may choose to hold higher levels of cash. Cash may be deposited with several credit counterparties (e.g. international banks) or in short dated bonds. A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

There is no guarantee that a positive absolute return will be generated over any time period.

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.

Disclaimer

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