

Economic Advantage

October 2023 review



UK Growth Fund



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The Liontrust UK Growth Fund returned -3.6%* in October. The FTSE All-Share Index comparator benchmark returned -4.1% and the average return in the IA UK All Companies sector, also a comparator benchmark, was -5.1%.

The month saw a continuation of the themes that characterised the third quarter, with investors adjusting to the expectation of higher-for-longer interest rates and large-cap shares continuing their recent run of outperformance.

Events in Israel and the Gaza Strip dominated global news during the month. Although global equity markets retreated in October, there was otherwise only moderate evidence that the conflict was leading to typical flight-to-safety patterns in financial markets. Gold did rise 7% to \$1983 an ounce, but oil (Brent crude) dropped 8% to \$87.4 a barrel and government bond prices remained under pressure due to rising yields.

Within the UK market, the large-cap FTSE 100 Index fell 3.7%, while the FTSE 250 mid-cap Index dropped 6.3%, the FTSE Small Cap (ex investment trusts) Index slid 5.9% and the AIM All-Share lost 6.2%.

The Fund's strongest monthly performer was **YouGov** (+13%). Having de-rated somewhat over the summer months, the shares rallied after releasing a solid set of full-year results and issuing in-line guidance. The research data and analytics group grew revenues by 9% on an underlying basis in the year to 31 July, with adjusted operating profit rising 23%. The company notes that this growth came against a tough macroeconomic backdrop and is ahead of sector benchmarks. YouGov stated that trading in the new year has begun in line with expectations, giving it confidence in hitting the market's forecasts for the 2024 financial year.

Pearson (+9.6%) also rose after upgrading operating profit guidance by £20m to a £570m - £575m range and initiated a £300m share buyback programme. Professional certification and

assessment division VUE drove the strong performance as it recorded 8% growth over the nine months, helping compensate for a 5% contraction in Pearson's higher education unit.

The global learning group operates across higher education, language, workforce skills and virtual learning sectors. In 2022 the company fought off three unsolicited takeover proposals from private equity group Apollo and it has now outperformed the FTSE All-Share Index by more than 60% since the start of 2022 as it overcomes investor worries over its slowing legacy US higher education business.

Wealth manager **Brooks Macdonald Group** (+7.5%) has been the subject of some speculation over its potential to attract takeover interest. Since its shares peaked at the end of 2021 they have underperformed the FTSE All-Share by more than 25%. However, they finished October in positive territory after the group announced a modest quarterly rise in assets under management – the result of positive investment performance outweighing a small net outflow – and unveiled cost cutting measures. The group plans to cut around 55 roles in a programme which will have one-off costs of around £3m but realise an annual saving of about £4m.

Newsflow was fairly light among the Fund's monthly detractors. Asset inflows at **Hargreaves Lansdown** (-8.6%) were slightly weaker than investors had expected, as its clients continued to invest more in cash than higher risk investments such as shares. In the quarter to 30 September, Hargreaves saw net new business of £0.6bn, taking assets under administration to almost £135bn. Consensus expectations had been for closer to £1bn in net new business.

Positive contributors included:

YouGov (+13%), BAE Systems (+12%), Pearson (+9.6%), Brooks Macdonald (+7.5%) and Compass Group (+3.7%).

Negative contributors included:

Rightmove (-16%), Spirax-Sarco Engineering (-14%), WH Smith (-14%), Indivior (-11%) and Hargreaves Lansdown (-8.6%).

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

	Sep-23	Sep-22	Sep-21	Sep-20	Sep-19
Liontrust UK Growth I Inc	10.9%	-5.5%	26.1%	-11.0%	3.0%
FTSE All Share	13.8%	-4.0%	27.9%	-16.6%	2.7%
IA UK All Companies	12.8%	-15.3%	32.4%	-12.8%	0.0%
Quartile	3	1	3	2	2

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

**Source: Financial Express, as at 30.09.23, 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/benefits-of-investing/guide-financial-words-terms>

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.

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 may invest in companies listed on the Alternative Investment Market (AIM) which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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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