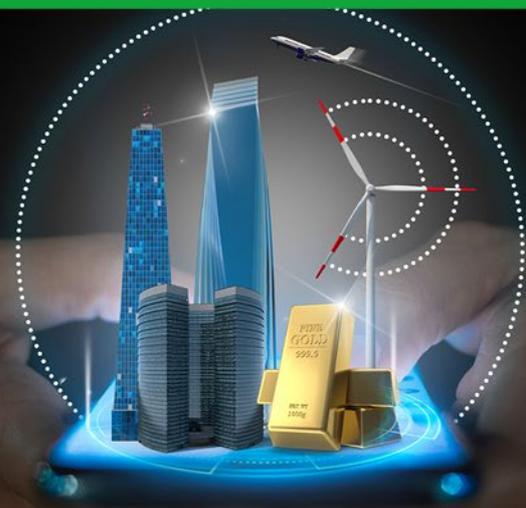


Diversified Real Assets

December 2023 review



Liontrust Diversified Real Assets Fund

- Core property led the way in delivering a strong positive contribution, closely followed by core infrastructure
- Cyclical real assets also returned a positive contribution
- Diversifiers improved from a negative return in November to record a positive contribution

Over the month to 31 December 2023, the Diversified Real Assets Fund (the 'Fund') returned 5.0%, (Class A accumulation share class, net of fees).¹

Core property was the top contributor to performance in December, amid an overall strong month for all sectors within the Fund. Within core property, performance was driven by speciality REITs, in particular through holdings Assura and Tritax EuroBox.

Core infrastructure was also a strong contributor to performance, with all three sub-sectors recording positive returns. Social infrastructure dominated, with BBGI Global Infrastructure and GCP Infrastructure Investment leading the way in terms of returns, followed by International Public Partnerships.

Within cyclical real assets, the sub-sector of global property equity led the way in recording a positive return, helped by strong performances by holdings Prologis and Segro. The sub-sectors global infrastructure equity and property debt made slightly positive contributions to performance.

Diversifiers also made a positive contribution in the month. UK inflation was the key driver of this. Gold and infrastructure bonds both recorded a small positive return while the sub-sectors of cash and sovereigns were largely flat.

Outlook

We believe the resilient growth environment of 2023 will give way to a moderate slowdown as the lagged effects of interest rates start to seep into the broader economy.

Interest rates have been the primary macro risk factor for real assets dictating returns over the last 12 months, initially acting as a strong headwind, but the last quarter saw a sharp decline in interest rates and with that a sharp positive re-rating for real assets and our Fund. We expect this to also be the case for 2024 – in other words, we expect to see a more supportive interest rate backdrop which should be positive for long duration income sectors such as real estate investment trusts (REITs) and global listed infrastructure securities, to which the Fund has meaningful exposure.

This, coupled with multi-year discounts on valuations and a high running yield, provides an attractive total return outlook for the Fund. For the more demand exposed real asset sub-sectors, we expect energy commodities to be volatile as geopolitical risks remain heightened and the Fund is expected to maintain tactical and active

positioning in these areas. On the other hand, stabilising real yields will continue to provide a continued bid for precious metals, to which the Fund remains exposed.

As the last three years have evidenced, forecasting is very difficult. Therefore for most clients, owning a diversified portfolio which contains some defensive real assets alongside their traditional equities and bonds can provide a good source of diversification, especially in an economic and earnings slowdown scenario.

For more insights and views from Liontrust visit: <https://www.liontrust.co.uk/insights/ourinsights>

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 invests at least 80% of its net asset value in a diversified portfolio of real assets (including investments in infrastructure, renewables, commodities, inflation linked assets and specialist property).

The Fund will gain exposure to these real assets through investment in real estate investment trusts (REITs), investment trusts, equities, debt instruments (bonds), collective investment schemes and exchange traded instruments.

The Fund is currently categorised 4 primarily for its balanced exposure to higher and lower risk assets.

The SRR1 may not fully take into account the following risks:

- that a company may fail thus reducing its value within the Fund;
- 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.
- Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result;
- the creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments or have significant sector or factor exposures. If one of these investments or sectors / factors fall in value this can have a greater impact on the Fund's value than if it held a larger number of investments across a more diversified portfolio.

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 may have 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.

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.

ESG Risk: there may be limitations to the availability, completeness or accuracy of ESG information from third-party providers, or inconsistencies in the consideration of ESG factors across different third party data providers, given the evolving nature of ESG.

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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