

Cashflow Solution

December 2023 review

Liontrust GF European Smaller Companies



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The Fund's A3 share class returned 4.0%* in euro terms in December. This Fund's target benchmark, the MSCI Europe Small Cap Index, returned 7.0%.

European markets continued their strong end to 2023, with all of the year's 12.7% return coming in November and December.

Investors continued to bet on rate cuts next year, defying the more measured recent message from central bankers that policy direction remains in the balance and data-dependent. This shift gained more impetus mid-month as the US Federal Reserve signalled several rate cuts next year within its 'dot plot' forecasts and surprised investors who had been expecting a stronger effort to rein in the rally in bonds.

The European Central Bank and Bank of England were more consistent in re-iterating the ongoing risks from inflationary pressures, with ECB president Lagarde saying "we should absolutely not lower our guard."

Nevertheless, markets finished the year pricing in 160 basis points of rate cuts from the ECB in 2024, compared with the 100bps forecast at the start of the month.

As investor risk appetite improved, European markets joined in the global equity rally, led by cyclical sectors such as real estate (+11%), industrials (+7.2%), materials (+6.5%) and IT (+4.7%). The MSCI Europe laggards were energy (-1.3%), consumer staples (+0.8%) and communication services (+0.9%).

The Fund's best performers mirrored the pattern seen across the market, with cyclical stocks prominent; Austrian brickmaker **Weinerberger** (+15%), French market research group **Ipsos** (+15%) and **Norwegian Air Shuttle** (+13%) led a group of seven stocks posting double-digit

percentage gains. Gains for the latter were helped by Norway's competition authority giving the go-ahead for its \$110m takeover of Wideroe. It had previously warned in a preliminary finding in November that it could block the deal. However, overlap between the two carriers is low, with Wideroe primarily serving regional routes between smaller airports in Norway compared with Norwegian Air Shuttle's international routes and larger domestic routes.

While the financials sector overall recorded a solid 4.0% rise, the Fund saw some weakness among its banks – the unwinding of some of the gains made earlier this year as rising rate expectations boosted forecasts for banks' net interest income. **BPER Banca** (-12%), **Bankinter** (-7.9%) and **Bank of Ireland** (-4.3%) all pulled back.

Games Workshop Group (-8.3%) also lost some ground after issuing a half-year trading update. Although the company described its core revenues of at least £235m and licensing revenue of around £12m as in-line with expectations, the update prompted some downgrades from research brokers who flagged softer-than-anticipated trading in the most recent quarter.

Positive contributors to performance included:

Weinerberger (+15%), Ipsos (+15%) and Norwegian Air Shuttle (+13%).

Negative contributors to performance included:

BPER Banca (-12%), Games Workshop Group (-8.3%) and Bankinter (-7.9%).

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

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Liontrust GF European Smaller Companies A3 Acc EUR	7.0%	-17.3%	33.7%	7.4%	35.8%
MSCI Europe Small Cap	12.7%	-22.5%	23.8%	4.6%	31.4%

	Dec-18
Liontrust GF European Smaller Companies A3 Acc EUR	-19.9%
MSCI Europe Small Cap	-15.9%

*Source: Financial Express, as at 31.12.23, total return (net of fees and income reinvested).

**Source: Financial Express, as at 31.12.23, 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
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	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 (SRI) 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. SRI = 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.

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