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Economic Advantage

December 2023 review

Liontrust GF UK Growth Fund

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The Liontrust GF UK Growth Fund returned 3.5%* in December. The Fund's comparator benchmark, the FTSE All-Share, returned 4.5%.

November's broad rally extended into December as investor risk appetite continued to improve, helped along, once again, by expectations of a 'pivot' from central banks towards lower rates.

Since the prior consensus of 'higher-for-longer' rates began to break down at the start of November, the FTSE All-Share has rallied from a calendar year-to-date loss of 121 points, or 3.0%, to a gain of 157 points, or 3.9%. In total return terms the performance improved from 0.3% at the end of October to 7.9% at the end of the year.

As we observed last month, one particularly notable characteristic of the recent rally is the strength of small-cap and mid-cap stocks as investor sentiment improves. The mid-cap FTSE 250, FTSE Small-Cap (ex-investment trusts) and FTSE AIM All-Share returned 8.2%, 6.3% and 7.0% respectively in December, versus the 3.9% from the FTSE 100.

Again echoing our comments from November, the rally was global in nature and extended beyond equities, so the UK stockmarket's discount to international peers remains substantial and, in our view, too wide. The catalyst to December's gains was the US Federal Reserve's publication of forecasts for interest rates to be reduced by 75 basis points in 2024, with more cuts to follow in 2025.

In this market environment, resurgent investor confidence was responsible for the majority of share price gains. This is reflected within the Fund's monthly contributors, with many of the largest gainers rallying without issuing any new information to investors.

Only 7 of 44 holdings lost ground in December's broad-based rally. Of these, online cards and gifts platform **Moonpig Group** (-9.7%) was the heaviest faller.

Having previously highlighted a tough consumer environment with declining new customer acquisition and customers trading down to cheaper gifts, shares in Moonpig performed well from June onwards after full-year results showed a return to growth in its core greeting cards brand. December's in-line interims saw some of these gains given back, but the shares' 2023 performance still represents a turnaround from the prior year's downtrend.

We continue to believe in the long-term structural growth opportunity for Moonpig as it benefits from the shift of gifts spending online. Moonpig continues to extend its market leadership position, in no small part due to the hugely valuable pool of data it gathers on its customers to enable highly targeted marketing.

A trading update from **British American Tobacco** (-6.3%) downgraded 2023 organic growth guidance to the low end of its 3% to 5% range as macroeconomic pressures impacted US cigarette sales. To reflect this trend, BAT is writing down the balance sheet value of some of its Combustibles division brands by around £25bn. The company is also accelerating investment in its shift towards 'smokeless' products such as vapes and nicotine pouches. These investments will depress short-term growth but are expected to contribute positively from 2026 onwards.

Positive contributors included:

John Wood Group (+24%), Savills (+22%), Coats Group (+17%), Spirax-Sarco Engineering (+14%) and TI Fluid Systems (+13%).

Negative contributors included:

Moonpig Group (-9.7%), Indivior (-8.0%), Future (-6.5%), British American Tobacco (-6.3%) and Paypoint (-3.6%).

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

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Liontrust GF UK Growth C3 Inst Acc GBP	4.5%	-0.4%	21.5%	-8.1%	19.5%
FTSE All Share	7.9%	0.3%	18.3%	-9.8%	19.2%

	Dec-18	Dec-17	Dec-16	Dec-15
Liontrust GF UK Growth C3 Inst Acc GBP	-6.4%	13.2%	17.0%	9.0%
FTSE All Share	-9.5%	13.1%	16.8%	1.0%

*Source: Financial Express, as at 31.12.2023, total return (net of fees and income reinvested), sterling terms, C3 institutional class. Non fund-related return data sourced from Bloomberg. **Source: Financial Express, as at 31.12.2023, total return (net of fees and income reinvested), primary class. Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (03.09.14). Investment decisions should not be based on short-term performance.

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.

Disclaimer