LIONTRUST
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AUTUMN 2023

LIONTRUST views

Commodities: a hedge against inflation?

One of the causes of rising inflation has been commodity prices.
Could investing in this asset class help to mitigate against inflation?

CONTENTS

WELCOME

Welcome to the autumn 2023 edition of *Liontrust Views*, in which we provide you with insights about markets and what they might mean for your investments.

Global equity markets have paused for breath in recent months after having delivered positive performance over the last year. Worries over interest rate hikes and warnings from central bankers that the fight against inflation must continue have had a detrimental impact on financial markets, and especially bonds, although significantly less so than in 2022. We discuss the drivers of investment markets in detail and what changes are being made to your funds as a result.

In our cover story on page 10, we outline why investors have become more aware of commodities since 2022, not least because the sharp rise in their prices caused by the war in Ukraine means that the cost of living has soared. On page 10, we outline why investing in the asset class might be a good idea, such as providing a hedge against inflation, and how to access the diverse opportunities it offers.

Financial markets have seen a lot of ups and downs in recent years, making the higher returns now available on savings accounts – thanks to successive interest rate rises by the Bank of England – all the more attractive. Investors should remember, however, that inflation can also undermine the real value of their savings. On page eight, we explain the attractions of staying invested in the stock market over the long term rather than holding onto cash.

On page 12, we look at the opportunities India offers investors and the risks involved. India has become the most populous country in the world, has been developing a reputation as a technology and innovation hub for some years and enjoyed a prominent role on the world stage this year after its successful moon landing and hosting of the G20 summit.

Finally, our performance overview on pages 14–25 provides the vital statistics you need to see how your funds have performed.

We hope that you enjoy reading this edition of *Liontrust Views* and we always welcome your feedback. ■

PORTFOLIO POSITIONING:

ADAPTING TO THE MARKET

Market backdrop

Equities mostly weakened globally over the third quarter of the year, with only the UK and Japan seeing moderately positive returns.

The quarter had started well, with US equities recording their fifth consecutive month of gains in July – their longest monthly winning streak since the summer of 2021. Investors were also encouraged by data pointing to falling inflation and a US economic recovery gathering momentum. Technology giant Nvidia stunned markets with Q2 results that smashed forecasts, becoming the highlight of an earnings season that saw S&P 500 companies exceed expectations but still receive a lukewarm response from investors.

However, investors took fright at leading central banks warning at their annual Jackson Hole Symposium in August that it was too early to declare victory over inflation and that interest rates would have to stay 'higher for longer' to tackle it. The message had a detrimental impact on equities, but especially on bonds, whose prices are inversely related to interest rates.

Their comments wrong-footed some investors who believed that interest rates had peaked and so had returned to the fixed income markets this year to lock in the higher yields (interest paid) on offer. As investors adjusted their expectations for interest rate policies in the US and Europe, a sell-off in bonds pushed up yields (and prices down) on US treasuries, gilts and European government bonds to multi-year highs.

What we are doing

The fall in bond prices seen in the last quarter impacted the lower risk funds negatively because they hold higher exposures to fixed income. But target exposure to global government bonds, which were worst hit by the market moves, is just 1% in these funds. The higher risk-profile funds have materially less exposure to fixed income.

Our overall view on bonds is largely neutral, although we did raise our ranking on investment grade corporate bonds from neutral to positive in the last quarter. We believe the yields on these bonds are good and credit risks are low compared with government bonds.

We have also reduced our ranking on emerging market debt from positive to neutral. We thought the yields available on these bonds earlier this year represented a good return for the lower credit quality. However, the yields have since fallen and investors should not underestimate the relative risks posed by emerging markets.

> We believe value can still be found in the US beneath the technology behemoths and the US economy remains in relatively solid shape

These modest changes reflect the long-term nature of our investment process, which is designed to be both patient and disciplined, and our reluctance to over-trade. There have been similar periods in the past when bursts of trading have been followed by little activity. The periods of heightened activity have occurred during major movements in investment markets that presented opportunities or challenges.

In recent years, the most significant changes we have made were in May 2022 and February 2023. In the first case, our view was that the post-Covid relief rally had ended due to the Russian invasion of Ukraine and we were moving into a higher-risk and inflationary environment. We dialled down risk in May 2022 in our first tactical asset allocation review after the invasion. In the second case, we believed that markets had priced in all the pain throughout 2022 and before the news flow turned we were adding risk to our target exposures once more.

With regards to the strong performance of US equities, we have exposure to the AI theme through US growth-style managers and index funds, especially in our higher risk funds in which target exposure to US equities can be as high as 35%. But we remain careful. We believe value can still be found in the US beneath the technology behemoths and the US economy remains in relatively solid shape.

A FORWARD LOOK

It's been a year of high inflation and repeated increases in central bank interest rates but are things likely to change in the coming months?

While UK inflation fell from a peak of nearly 12% in the first quarter to less than 7% in July, market sentiment is still divided about the ultimate impact of inflation and ongoing high interest rates. Recent figures from the Office for National Statistics (ONS) showed the UK economy contracted by 0.5% in July, faster than predicted.

Across of the global economy, monetary tightening through raising interest rates has continued this year, albeit less aggressively than in 2022. Headline inflation has fallen from its highs while core inflation, which excludes energy and food, has remained stable. The key question for markets remains how high interest rates will go to tackle inflation.

The positive news is that the supply chain issues, Russia's invasion of Ukraine and the poor harvests in mainland Europe last year that drove inflation in 2022 now seem to be receding, reflected by the falls in headline inflation this year.

Looking forward, we believe that although there might still be bad news around the corner and the anxiety from this is weighing on prices, stock markets could turn before the news does.

Equity regions that appear positive include the UK, Asia Pacific and emerging markets, all of which have been the laggard regions in 2023. We see the UK as being relatively cheap after being shunned by many international investors since the Brexit vote in 2016, while Asian and emerging market economies should benefit from strong and favourable demographics over the longer term.

Overall, the underlying tone of markets has stabilised. While fears of a recession persist, we continue to believe that a mild downturn is more likely than a deep recession because central banks will strive to avoid it, and the global economy remains on a solid footing.

Outlook

When we are positive about an asset class (such as equities, bonds and property), we categorise it as 'overweight' and may look to increase our allocation to it in our funds. Conversely, when we are negative about an asset class, we classify it as 'underweight' and may reduce the allocation. Finally, 'neutral' means that we are neither positive nor negative.

The two areas where we have changed weightings recently include:

- Investment grade corporate bonds
- Emerging market debt

KEY

▲ Overweight

▼ Underweight

▬ Neutral

UNITED STATES

STOCKS ▬ BONDS ▬

The AI theme has dominated the US stock market in 2023. There is no doubt that AI will become increasingly prevalent in our lives and has productivity benefits, but it has potential shortcomings too. We believe the stocks that have benefited from the AI premium will not go up in a straight line. We have had some exposure to the AI theme through US growth managers and index funds, but we remain careful.

Notwithstanding a handful of stocks whose valuations have run on the back of AI speculation, we believe the expensive US is now more reasonably priced, with value to be found beneath the technology behemoths. The US economy remains in relatively solid shape.

While long-term earnings could be good, we think active management of exposures to companies within the US market is still warranted. US government bond yields (the interest paid) are above 3%, which offers greater diversification because of the various interest rate policies around the world.

EMERGING MARKETS

STOCKS ▲ BONDS ▬

We have reduced our ranking of emerging market debt from four back to a neutral three. We had raised our rating from three to four in the first quarter of 2023 because we believed that the yields (interest paid) available represented a good return for the lower credit quality, which was similar to our opinion of high yield debt. However, the current higher interest rate environment could make it harder for businesses and governments to fund their debts. The war in Ukraine also shows the political risks inherent in the emerging market debt markets.

We continue to believe several emerging markets are financially better positioned than their developed counterparts because they refrained from injecting extreme levels of financial support into their economies during the Covid pandemic. But our view remains that in the current environment, investors will be potentially better rewarded by emerging market equities than the debt. We believe the strength of the dollar also represents an economic headwind for many emerging market debt issuers and poses potential repayment affordability problems for hard currency emerging market debt.

UNITED KINGDOM

STOCKS ▲ BONDS ▬

The UK stock market has underperformed so far this year, but we believe it could outperform other major markets. The UK has significant exposure to the energy and financial sectors and while we can't predict when the stock market will turn, it will not require a major catalyst. Global investors can avoid the UK but then they would be ignoring an undervalued market.

UK gilt yields (interest paid) are back to the levels seen under Truss-enomics but without the panic. Their yields have drifted up from around 0.7% at the start of December 2021 to above 4.0% as at 31 August 2023 (source: Bloomberg), and these could continue to rise in line with base rates. We believe that gilts now offer the prospect of delivering real yields (above the rate of inflation) over four to five years once the inflationary spike abates. We remain neutral on them, however, as we do not expect they will be a substantial driver of returns.

EUROPE

STOCKS ▬ BONDS ▬

We believe that Europe is looking more settled after having been the region most at risk from a protracted conflict in Ukraine. While there could be a risk of something going wrong on its eastern flank, this is hard to predict. The region's equities have been unloved post Russia's invasion of Ukraine but given that Europe is home to many multi-national businesses linked to the global growth story, like the UK's large caps, this sentiment may be disproportionate.

We remain neutral though. We believe that Europe is still relatively less attractive than the UK, due in part to its one-size-fits-all inflation policy. This could lead to inflationary hotspots and provoke headwinds for European bonds.

ASIA PACIFIC

STOCKS ▲

Fears that China's post-Covid recovery is running out of steam and tensions with the US have been detrimental for Asia's markets. After reopening late last year after Covid, China's economy still faces declining trade activity and a weak property sector. How China supports its economy will be key going forward.

Risks remain in terms of global investor sentiment towards the region, but Asian economies did fare well during Covid and we still believe that over the longer term, Asian stocks will benefit from strong and favourable demographics.

JAPAN

STOCKS ▬

We watch Japan closely to see whether its positive run this year is over, or if it is worth going overweight its stock market. New Bank of Japan governor Kazuo Ueda has pointed to a structural shift in the economy as growth and wages have picked up after decades of near stagnation.

The fly in the ointment though is that for Japan to do well requires a weaker yen, which will be inflationary. The Japanese market is also reliant on exports and could be impacted negatively by any softening in global economic growth. ■

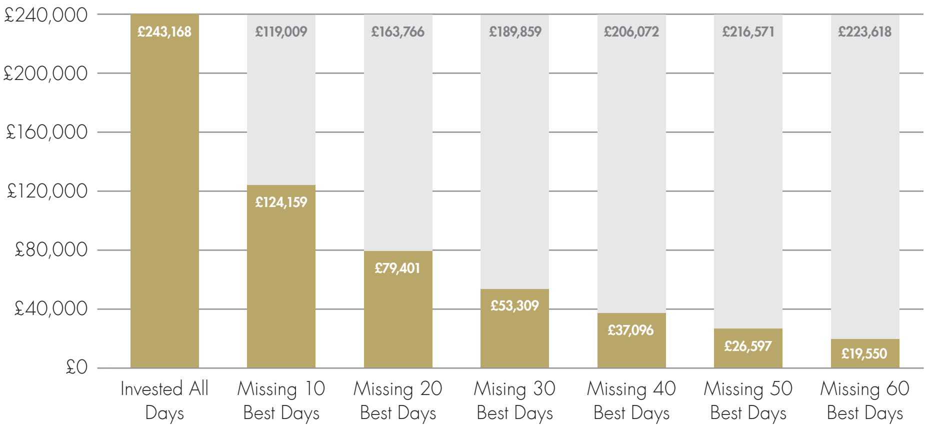
CASHING IN

ON INVESTMENT MARKETS

Holding cash has become more attractive over the past year because of higher returns available from saving accounts and the ups and downs (known as volatility) in investment markets. This article will explain the attractions of staying invested in the stock market over the long term rather than holding onto cash.

Missing out on the best days

Value of £10,000 invested in the FTSE All Share: January 1986 – July 2023



When were the 10 best days in the market?

+9.2%	+8.9%	+8.5%	+7.7%	+7.5%	+5.9%	+5.7%	+5.3%	+5.2%	+5.2%
24 Nov 08	24 Mar 20	19 Sep 08	29 Oct 08	13 Oct 08	10 Apr 92	21 Oct 87	08 Dec 08	13 Mar 03	10 May 10

Source: Morningstar, 1 January 1986 to 31 July 2023.

We firmly believe diversification works over the long term. Yet, in 2022, diversification failed. It was a very rare year in which both equities and fixed income generally delivered negative returns. Returns were almost uncannily consistent regardless of how much risk – or equity exposure. For investors, a 10% fall in value of their investments for what is deemed to be a relatively low risk approach would have been unwelcome and surprising. This followed more than a decade of a low cost of capital and therefore attractive real returns for equities.

Over the past year to 18 months, of course, we have seen a significant rise in interest rates in response to much higher inflation. This has made it appear to many savers that keeping money in cash is more attractive, as returns from bank and building society accounts also rose with interest rates. This is especially the case when combined with the returns from investment markets in 2022. One of the most frequent questions we have been asked is if people should hold cash rather than be invested in equity and fixed income markets.

Cash can be a good place to park savings when you have a short time horizon so you are not subject to the volatility of investment markets. Extending the time you keep savings in cash, however, is an active decision not to invest and you might miss out on the long-term benefits of investing in markets. This includes generating real returns above the rate of inflation. Over the long term, equities have historically outperformed cash, bonds and inflation.

You can see this by looking back at the performance of stock markets, government bonds and cash over the last 20 years and adjust for inflation to get the real returns from all three as shown in the chart below. £1 left in cash for 20 years would have a purchasing power of 86p today. Whereas £1 invested in the UK stock market for 20 years would be worth over £2.20. You would have done fairly well in UK government bonds over the same period but the difficult 2022 means you now have about the same purchasing power that you started with.

Another question we are asked is why not put money in cash now and wait for a "better" investment environment before putting the money back into markets. This might sound like an attractive strategy but it is extremely difficult to do successfully. We believe in the old adage that *it is time in the market rather than timing the market* which is rewarding.

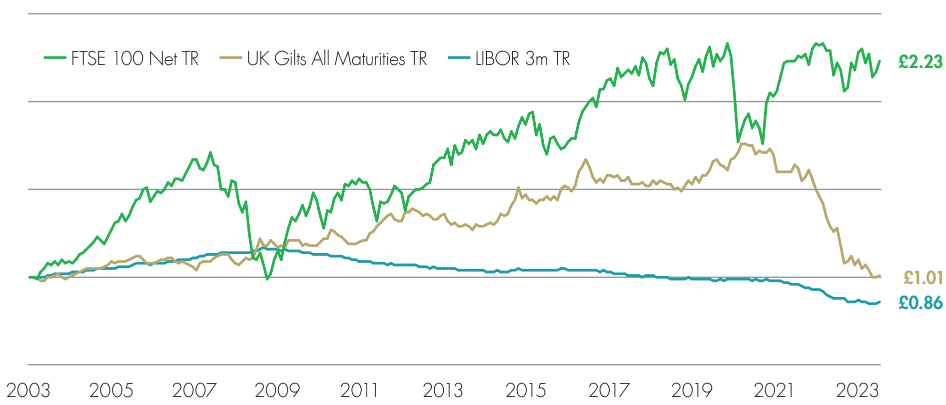
The benefit of a patient long-term disciplined approach to investing is shown by looking at the returns of the FTSE All-Share Index since 1986. If you had invested £10,000 in the market 37 years ago, the compound return would have given you £240,000 today. If you had missed the 10 best days of returns over those 37 years, your money today would be reduced from £240,000 to £124,159. These are shown in the table above.

This figure starkly illustrates the impact of missing just 10 days of returns over 37 years. The challenge is exacerbated by the fact that the best days often come during the periods of maximum pain so timing them is extremely difficult. For example, the best day of returns since 1986 was on 24 November 2008 during the Global Financial Crisis (GFC) and came just two months after Lehman Brothers went bust. The second best day was 24 March 2020, which was the day after the UK went into lockdown during Covid.

The seventh best day of performance over the past 37 years was 21 October 1987, which was two days after the Black Monday crash. Three of the other four best days of performance also followed soon after the collapse of Lehman Brothers in September 2008. What these strongest days for returns have in common is that very few investors would have had the bravery or conviction to invest at those times.

This is why the Liontrust Multi-Asset team believes in a long-term robust and repeatable investment process which remains invested during the difficult times and takes away some of the excesses through holding a diversified portfolio of different asset classes, including bonds.

20-year real returns: total return of £1 in real terms



Source: Morningstar, 1 January 2003 to 31 July 2023.

Commodities

A HEDGE AGAINST INFLATION?

Fears over strikes by workers at a liquified natural gas (LNG) plant in Australia recently led to wholesale gas prices soaring, threatening higher energy bills for households and businesses over the winter period. But could investing in commodities help protect investors against soaring prices?

The rising cost of energy, food and other essential goods over the past several months has had a negative impact on millions of households. While the latest figures from the Office for National Statistics show that the rate of inflation fell from 7.9% to 6.8% in the 12 months to July, prices are still rising steadily. Furthermore, core inflation – which strips out food and energy price movements – remained static at 6.9%.

The term commodities typically refers to natural resources and materials which are consumed or used by people. This includes commodities that are mined, such as Brent crude oil – one of the most traded commodities on earth – and natural gas. It also covers precious metals – gold, silver, platinum – and industrial metals – those used for manufacturing or construction, such as steel, aluminium or copper. Agricultural commodities include raw materials such as coffee, wheat and cotton.

The huge increase in energy and food prices over the past year or so has been as a result of agricultural commodities such as wheat reaching record highs, while crude oil and natural gas prices rose by around 60% in 2022.

Meanwhile, gold has also performed relatively strongly so far in 2023, along with other precious metals, not least due to the ongoing economic uncertainty caused by high inflationary environments across much of the developed world and steadily rising central bank interest rates.

In many cases, commodities represent the purest form of supply and demand. As an example, with agricultural commodities, demand is typically fairly constant, though this can vary, but the supply side is more volatile, dependent as it is on weather conditions. An unusually cold or wet season can damage crops and affect the supply of wheat even when demand remains high.

Why invest in commodities?

While cash savings rates have improved in recent months, the high inflationary environment means that in real terms the value of cash holdings will still be eroded. In contrast, commodities are one of the few asset classes that can protect against inflation; in fact, the relationship is causal and a large part of headline inflation is typically driven by 'consumption commodities' through rising energy and food (agricultural) prices.

The huge increase in energy and food prices over the past year or so has been as a result of agricultural commodities such as wheat reaching record highs, while crude oil and natural gas prices rose by around 60% in 2022.

The exception to this is gold and, to a lesser degree, other precious metals, which are often driven by sentiment and which people head to when markets are uncertain or volatile.

However, it is important to note that commodity prices can move up and down quite sharply (called volatility by investment managers). This is why exposure is recommended as part of a diversified portfolio of other 'real' assets.

Mayank Markanday, Head of Liontrust's Diversified Real Assets Fund, says: "This volatility is in part due to seasonality in prices (especially for agricultural commodities) but commodities are also vulnerable to external events such as bad weather conditions that may lead to low crop yield or geopolitical events.

"Recent examples include the Russian withdrawal from the United Nations-brokered grain deal – the Black Sea Initiative – which allowed Ukraine to continue exporting more than 30 million tonnes of wheat to global markets."

How to invest

Investing in commodities can be tricky. Investing directly in commodities is usually done by professional traders dealing in large volumes and using specialist instruments such as futures on financial markets, although it is possible to invest in gold and silver on a lower scale by buying coins or bullion for example. However, directly investing in other commodities such as coffee, oil or wheat will typically involve storage costs and are not practical for most investors.

Most investors, therefore, choose instead to gain exposure to commodities as a broad asset class, whether through a pooled fund or an exchange traded fund (ETF), with the latter tracking the performance of a single or multiple commodities.

Markanday says: "While commodity markets may not be as straightforward as traditional asset classes and sectors, they can be a source of valuable diversification from stocks and bonds. Due to the volatility of the asset class, we advocate a diversified approach of owning commodities as part of a broad-based portfolio."

India

AN INVESTMENT DESTINATION?

India has been flying high in recent months with the news of its first successful moon landing, followed in rapid succession by the country launching a space mission to the sun. In September, prime minister Narendra Modi hosted the G20 summit, demonstrating the region's increasing geopolitical influence. But could it also offer exciting opportunities for investors.

The case for India

Earlier this year, India overtook China to become the country with the largest population in the world at around 1.4 billion people, and its young demographic has positive implications for growth. According to a report by EY, over the next decade, nearly 25% of the global workforce will come from India.

The International Monetary Fund recently revised its GDP growth forecast for India to 6.1% for 2023, up from 5.9%, because of stronger domestic investment. And in the longer term, research by EY[1] suggests that India could become the world's third largest economy as early as 2028, overtaking both Japan and Germany. Currently, it is the world's seventh largest economy in absolute terms.

Rising incomes are helping to create an ever-growing middle class and leading to higher demand for products and services from clothes to cars, to financial services and healthcare, pushing domestic stocks to new highs.

India's services market also plays a key role in exports and as the country continues to build on its reputation for being a technology and innovation hub, there is likely to be significant potential for growth. Reforms introduced by prime minister Modi with the aim of making it easier to do business in the country – for both domestic and international investment – have significantly cut levels of bureaucracy and made India a more attractive destination in the eyes of many.

As India's economic growth continues, so too does its demand for energy and the country is taking notable steps towards renewable energy generation, in particular with solar power. It has committed to reaching net zero by 2070 and as of February 2023, the Indian government had issued $21 billion of sovereign green bonds, more than any other emerging market bar China.[2]

Should investors be looking towards India?

[1] India – towards becoming the third largest economy in the world – EY
[2] India incorporates green bonds into its climate finance strategy – World Bank

Taking a deeper look

While there are clearly opportunities, there are also risks that investors should be aware of when considering India or any other emerging market.

Over the past five years, returns from emerging market equities have been lower than stock markets in major economies such as the UK, US and Europe. Some regard India's equities in aggregate as being expensive relative to other emerging market economies. Data from Refinitiv, published in June, suggested the total value of Indian equities had reached $31.5 trillion – greater than the value of the UK and French stock markets, the two biggest in Europe, combined.

Other challenges include the rising price of oil – India is a big importer of oil, and prices have risen recently amid supply cuts. Climate change – and the environmental risks this poses – is also an issue that investors should consider when thinking about India. The agricultural sector plays a big role in the Indian economy yet the stability of these markets is threatened by climate change, and natural disasters such as torrential rains and landslides are becoming more common.

Despite Modi's ostensibly friendly business policies, there have also been recent instances of protectionism which have caused some concern. In August, the government unexpectedly announced a ban on the import of personal computers and laptops, affecting household names such as Apple, Samsung and Dell.

According to James Klempster, Deputy Head of Multi-Asset Investment at Liontrust, it is worth remembering that as an investor, you are buying into a fund or stocks, rather than buying high GDP or positive demographics – however good they may be. "While the macro environment surrounding a market may make a compelling case, the investment argument has to stack up.

"There are a number of different facets to this – one is that if you overpay for assets in emerging markets – as with anywhere in the world – you are investing against a headwind rather than with a tailwind.

"Also, in markets such as this, it pays to invest with a proven expert. There are plenty of pitfalls for the unwitting and so it is the sort of market where one would want to invest with an active manager with a tried and tested process."

Liontrust's Anthony Chemla summarises the views of emerging market investment managers with four reasons to be bullish and four reasons to be bearish about India.

Bull points

Positive factors for the Indian equity market

- Emerging economies like India, with comparatively stronger fundamentals, have experienced a shift from headwinds to tailwinds. Inflation has sharply declined at the retail level and is deflating at the wholesale level. Domestic interest rates are likely to be at their peak. Commodity prices have cooled and stabilised from their peaks, and the US dollar is expected to weaken further relative to other currencies. Bond yields have also fallen amid a stable monetary policy outlook.

- Domestic stocks are reaching new highs due to a stable macro environment, a growing economy, and healthy corporate profits. Strong domestic demand, favourable government policies, and robust business and consumer balance sheets have made the region an attractive and fast-growing major economy.

- Structural shifts and domestic megatrends: Given the limited opportunities for growth on a global scale, inflows into emerging economies, including India, were inevitable. Listed corporates in India have reported healthy earnings, with the banking, financial services and insurance sectors all contributing significantly. This resilience has fuelled investor optimism, as macroeconomic indicators reflect a growing economy and moderating inflation.

- Considering the advancing trend of economic growth and expected rate cuts towards the end of 2024, small cap and micro cap stocks are favourably positioned in the current bull cycle. These stocks benefit from disproportionately higher exposure to the industrial sector, discretionary spending and niche segments that align with the ongoing period of strong economic growth.

Bear points

Negative factors for the Indian equity market

- Global markets: Lacklustre growth in global stock markets can weigh on India. This includes markets in Japan, China, Hong Kong and the US.

- China factor: Weak factory activity data from China can heighten concerns about its economic recovery and can also impact the rest of Asia, driving worldwide equities lower, including in India.

- The impact of bank and financial services stocks with the heavyweights like HDFC Bank can contribute to the decline of the Indian markets (Sensex and Nifty). The fourth quarter of 2022 and the first quarter of 2023 were prime examples of this.

- MSCI rebalancing: changes to the composition of the stock market index by MSCI can have an impact on investor flows into and out of individual companies. Adani Transmission and Adani Total Gas have both suffered from this.

FACTS & FIGURES

QUARTERLY DATA

Global high yield bonds
4.25%
ICE Bank of America ML Global High Yield Bond Index

Japanese stocks
2.42%
TOPIX Index

UK stocks
1.88%
FTSE All-Share Index

Emerging market bonds
1.66%
Bloomberg Emerging Markets Hard Currency Aggregate Index*

European corporate bonds
1.43%
Bloomberg Barclays European Corporate Bond Index

Emerging market stocks
1.25%
MSCI Emerging Market Index

US corporate bonds
0.94%
Bloomberg Barclays US Corporate Bond Index

US stocks
0.75%
S&P 500 Composite Index

UK corporate bonds
0.11%
Bloomberg Barclays Sterling Aggregate Bond Index

Global government bonds
-0.47%
FTSE G7 Index

Asian (but not Japanese) stocks
-0.77%
MSCI Pacific ex-Japan Index

European (but not UK) stocks
-1.94%
FTSE All World Developed Europe excluding UK Index

To highlight the unpredictability of markets, the table below details the performance of global equity and fixed income indices over the past five years (in sterling terms). This table demonstrates how volatile markets can be, and shows the benefits of diversifying your investment, or in other words, not putting all your eggs in one basket.

Index percentage growth (%)	**1 Oct 2022 to 30 Sep 2023**	**1 Oct 2021 to 30 Sep 2022**	**1 Oct 2020 to 30 Sep 2021**	**1 Oct 2019 to 30 Sep 2020**	**1 Oct 2018 to 30 Sep 2019**
US stocks	11.23	2.10	24.65	9.76	10.32
European (but not UK) stocks	19.94	-12.91	21.96	0.71	6.24
UK stocks	13.84	-4.00	27.90	-16.59	2.68
Japanese stocks	12.27	-15.80	13.26	-0.06	-2.82
Asian (but not Japanese) stocks	1.22	-1.83	20.75	-10.43	9.14
Emerging market stocks	2.58	-12.79	13.70	5.72	4.09
Global government bonds	-8.36	-5.06	-7.49	1.62	15.26
Global high yield bonds	3.10	-2.76	5.28	-0.96	11.94
US corporate bonds	-5.20	-1.59	-2.45	2.85	19.58
European corporate bonds	2.45	-13.36	-3.66	2.80	5.41
Emerging market bonds	-0.70	-7.01	-1.09	-0.53	15.42
UK corporate bonds	-0.31	-23.79	-5.26	3.66	12.96

Past performance does not predict future returns. Rebased in sterling where appropriate, i.e. all index returns are recalculated based on exchange rates to give returns for a sterling investor. *Index change from JP Morgan global Emerging Market Bond Index to Bloomberg Emerging Markets Hard Currency Aggregate Index. Source: Morningstar Direct, 30 September 2023.

EXPLORER FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

VICTOR ALABRUNE

DAVID SALISBURY

ANTHONY CHEMLA

PORTFOLIO CHANGES

BOUGHT

iShares Corporate Bond Index

M&G Japan

SOLD

Man GLG Japan CoreAlpha Professional

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 30 Jun 23 to 30 Sep 23	1 YEAR 30 Sep 22 to 30 Sep 23	3 YEARS 30 Sep 20 to 30 Sep 23	5 YEARS 30 Sep 18 to 30 Sep 23
Liontrust MA Explorer 35 Fund S Acc	-0.43	1.96	-16.60	-11.09
Liontrust MA Explorer Income 45 Fund S Acc	-0.47	4.50	-11.14	-3.58
Liontrust MA Explorer Income 60 Fund S Acc	-0.41	7.00	2.74	9.24
Liontrust MA Explorer 70 Fund S Acc	-0.41	9.09	9.40	12.87
Liontrust MA Explorer 85 Fund S Acc	-0.27	9.67	18.48	21.29
Liontrust MA Explorer 100 Fund S Acc	-0.39	9.59	19.89	28.59

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Sep 22 to 30 Sep 23	30 Sep 21 to 30 Sep 22	30 Sep 20 to 30 Sep 21	30 Sep 19 to 30 Sep 20	30 Sep 18 to 30 Sep 19
Liontrust MA Explorer 35 Fund S Acc	1.96	-18.31	0.13	0.79	5.77
Liontrust MA Explorer Income 45 Fund S Acc	4.50	-19.12	5.13	1.43	6.99
Liontrust MA Explorer Income 60 Fund S Acc	7.00	-14.78	12.66	0.21	6.11
Liontrust MA Explorer 70 Fund S Acc	9.09	-14.52	17.32	-1.42	4.66
Liontrust MA Explorer 85 Fund S Acc	9.67	-11.89	22.61	-2.02	4.49
Liontrust MA Explorer 100 Fund S Acc	9.59	-11.01	22.93	1.38	5.79

Source: Financial Express, as at 30 September 2023. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲

UK equities
Corporate bonds
US equities
High yield bonds
Japanese equities
Alternatives
Short-duration gilts

DIDN'T PERFORM AS WELL ▬

Global ex-UK fixed income
Europe ex-UK equities
Emerging market equities
Emerging market debt
Developed Asia equities
Medium-duration gilts

FUND SELECTION

PERFORMED WELL ▲

JOHCM UK Dynamic
Liontrust UK Equity
Man GLG Sterling Corporate Bond Professional
Liontrust Sustainable Future Corporate Bond
Ossiam Shiller Barclays CAPE US Sector Value
Liontrust GF Sustainable Future US Growth
Loomis Sayles US Growth Equity
Barings Global High Yield Bond
Man GLG Japan CoreAlpha Professional
Federated Hermes Asia ex-Japan
WisdomTree Enhanced Commodity
Lyxor UK Government Bond 0-5Y

DIDN'T PERFORM AS WELL ▬

HSBC Global Aggregate Bond Index
Vanguard Global Aggregate Bond
BlackRock European Dynamic
Barings Europe Select
BlackRock Emerging Markets
Barings Emerging Markets Sovereign Debt
Fidelity Asia Pacific Opportunities
iShares UK Gilts All Stocks Index

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

BLENDED FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

VICTOR ALABRUNE

DAVID SALISBURY

ANTHONY CHEMLA

PORTFOLIO CHANGES

BOUGHT

M&G Japan

SOLD

Man GLG Japan CoreAlpha Professional

M&G Japan Smaller Companies

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 30 Jun 23 to 30 Sep 23	1 YEAR 30 Sep 22 to 30 Sep 23	3 YEARS 30 Sep 20 to 30 Sep 23	5 YEARS 30 Sep 18 to 30 Sep 23
Liontrust MA Blended Reserve Fund S Acc	0.57	3.19	-11.20	-5.45
Liontrust MA Blended Moderate Fund S Acc	0.60	4.15	-4.01	1.77
Liontrust MA Blended Intermediate Fund S Acc	0.50	5.50	3.29	7.42
Liontrust MA Blended Progressive Fund S Acc	0.44	7.26	10.30	12.09
Liontrust MA Blended Growth Fund S Acc	0.24	8.50	19.88	21.21

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Sep 22 to 30 Sep 23	30 Sep 21 to 30 Sep 22	30 Sep 20 to 30 Sep 21	30 Sep 19 to 30 Sep 20	30 Sep 18 to 30 Sep 19
Liontrust MA Blended Reserve Fund S Acc	3.19	-16.96	3.62	-0.15	6.63
Liontrust MA Blended Moderate Fund S Acc	4.15	-14.53	7.83	-0.28	6.32
Liontrust MA Blended Intermediate Fund S Acc	5.50	-12.65	12.09	-1.09	5.14
Liontrust MA Blended Progressive Fund S Acc	7.26	-11.26	15.88	-1.95	3.65
Liontrust MA Blended Growth Fund S Acc	8.50	-8.53	20.79	-2.40	3.60

Source: Financial Express, as at 30 September 2023. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲

Corporate bonds
US equities
UK equities
Short-duration gilts
High yield bonds
Japanese equities
Emerging market equities

DIDN'T PERFORM AS WELL ▬

Europe ex-UK equities
Asia ex-Japan
Global ex-UK fixed income
Medium-term gilts

FUND SELECTION

PERFORMED WELL ▲

Vanguard UK Investment Grade Bond Index
iShares Corporate Bond Index
L&G US Index
Ossiam Shiller Barclays CAPE US Sector Value
JOHCM UK Dynamic
Liontrust UK Equity
Lyxor UK Government Bond 0-5Y
SPDR Bloomberg 1-5Y Gilt
Barings Global High Yield Bond
Man GLG Japan Core Alpha Professional
iShares Japan Equity Index
L&G Emerging Markets Equity Index

DIDN'T PERFORM AS WELL ▬

BlackRock European Dynamic
iShares Continental European Equity Index
L&G Pacific Index
HSBC Global Aggregate Bond Index
iShares UK Gilts All Stocks Index
Vanguard UK Government Bond Index

Past performance does not predict future returns. You may get back less than you originally invested.
Please refer to page 26 for more information on the Key Risks.

DYNAMIC PASSIVE FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

VICTOR ALABRUNE

DAVID SALISBURY

ANTHONY CHEMLA

PORTFOLIO CHANGES

BOUGHT ◀

No new funds were added during the quarter

SOLD ▶

There were no fund exits during the quarter

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 30 Jun 23 to 30 Sep 23	1 YEAR 30 Sep 22 to 30 Sep 23	3 YEARS 30 Sep 20 to 30 Sep 23	5 YEARS 30 Sep 18 to 30 Sep 23
Liontrust MA Dynamic Passive Reserve Fund S Acc	0.49	1.79	-8.48	1.41
Liontrust MA Dynamic Passive Moderate Fund S Acc	0.61	2.81	-3.19	5.34
Liontrust MA Dynamic Passive Intermediate Fund S Acc	0.67	3.96	4.61	11.55
Liontrust MA Dynamic Passive Progressive Fund S Acc	0.62	5.03	13.03	17.33
Liontrust MA Dynamic Passive Growth Fund S Acc	0.58	6.78	23.44	25.90
Liontrust MA Dynamic Passive Adventurous Fund S Acc	0.57	6.41	24.42	32.07

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Sep 22 to 30 Sep 23	30 Sep 21 to 30 Sep 22	30 Sep 20 to 30 Sep 21	30 Sep 19 to 30 Sep 20	30 Sep 18 to 30 Sep 19
Liontrust MA Dynamic Passive Reserve Fund S Acc	1.79	-14.21	4.81	0.73	10.01
Liontrust MA Dynamic Passive Moderate Fund S Acc	2.81	-12.52	7.64	-0.13	8.96
Liontrust MA Dynamic Passive Intermediate Fund S Acc	3.96	-9.75	11.50	-0.76	7.46
Liontrust MA Dynamic Passive Progressive Fund S Acc	5.03	-7.24	16.02	-2.54	6.51
Liontrust MA Dynamic Passive Growth Fund S Acc	6.78	-4.87	21.52	-3.81	6.03
Liontrust MA Dynamic Passive Adventurous Fund S Acc	6.41	-4.66	22.63	-0.86	7.07

Source: Financial Express, as at 30 September 2023. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲

- Corporate bonds
- US equities
- UK equities
- Emerging market equities
- Short-duration gilts
- Japanese equities
- High yield bonds

DIDN'T PERFORM AS WELL ▬

- Developed Asia equities
- Europe ex-UK equities
- Medium-duration gilts
- Global ex-UK fixed income

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

FUND SELECTION

PERFORMED WELL ▲

- Vanguard UK Investment Grade Bond Index
- iShares Corporate Bond Index
- L&G US Index
- HSBC American Index
- L&G UK Index
- iShares UK Equities Index
- HSBC FTSE All Share Index
- iShares Emerging Markets Equity Index
- L&G Emerging Markets Equity Index
- Lyxor UK Government Bond 0-5Y
- SPDR Bloomberg 1-5Y Gilt
- iShares Japan Equity Index
- HSBC Japan Index
- iShares Euro High Yield Corporate Bond ESG
- WisdomTree Enhanced Commodity

DIDN'T PERFORM AS WELL ▬

- L&G Pacific Index
- HSBC Pacific Index
- iShares Continental Europe Equity Index
- HSBC Europe Index
- iShares UK Gilts All Stocks Index
- Vanguard UK Government Bond Index
- Global Aggregate Bond Index
- L&G Global Infrastructure Index

INCOME GENERATING FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

VICTOR ALABRUNE

DAVID SALISBURY

ANTHONY CHEMLA

PORTFOLIO CHANGES

BOUGHT

iShares Corporate Bond Index
M&G Japan

SOLD

Man GLG Japan CoreAlpha Professional
M&G Japan Smaller Companies

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 30 Jun 23 to 30 Sep 23	1 YEAR 30 Sep 22 to 30 Sep 23	3 YEARS 30 Sep 20 to 30 Sep 23	5 YEARS 30 Sep 18 to 30 Sep 23
Liontrust MA Explorer 35 Fund S Inc	-0.43	1.96	-16.65	-11.01
Liontrust MA Explorer Income 45 Fund S Inc	-0.47	4.50	-11.19	-3.61
Liontrust MA Explorer Income 60 Fund S Inc	-0.41	7.01	2.75	9.28
Liontrust MA Monthly High Income Fund S Inc	-0.50	4.00	-5.89	-6.03
IA Mixed Investment 0-35% Shares	-0.27	2.63	-4.26	0.76
IA Mixed Investment 20-60% Shares	-0.12	4.17	4.55	7.44

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Sep 22 to 30 Sep 23	30 Sep 21 to 30 Sep 22	30 Sep 20 to 30 Sep 21	30 Sep 19 to 30 Sep 20	30 Sep 18 to 30 Sep 19
Liontrust MA Explorer 35 Fund S Inc	1.96	-18.31	0.06	0.79	5.93
Liontrust MA Explorer Income 45 Fund S Inc	4.50	-19.11	5.07	1.52	6.91
Liontrust MA Explorer Income 60 Fund S Inc	7.01	-14.78	12.68	0.24	6.10
Liontrust MA Monthly High Income Fund S Inc	4.00	-15.15	6.64	-3.44	3.41
IA Mixed Investment 0-35% Shares	2.63	-12.00	6.02	0.35	4.87
IA Mixed Investment 20-60% Shares	4.17	-10.56	12.21	-1.19	4.01

Source: Financial Express, as at 30 September 2023. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees. IA Mixed Investment 0-35% Shares is the comparator benchmark for the Liontrust MA Explorer 35 Fund and the Liontrust MA Monthly High Income Fund. IA Mixed Investment 20-60% Shares is the comparator benchmark for the Liontrust MA Explorer Income 45 Fund and the Liontrust MA Explorer Income 60 Fund.

ASSET ALLOCATION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
Corporate bonds	Global ex-UK fixed income
UK equities	Europe ex-UK equities
High yield bonds	Emerging market debt
US equities	Medium-duration gilts
Alternatives	Developed Asia equities
Short-duration gilts	Emerging market equities
Japanese equities	Infrastructure
	Property

FUND SELECTION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
Man GLG Sterling Corporate Bond Professional	HSBC Global Aggregate Bond Index
Liontrust Sustainable Future Corporate Bond	Vanguard Global Aggregate Bond
JOHCM UK Dynamic	SPDR S&P UK Dividend Aristocrats
Liontrust UK Equity	Robeco Global Credits
Barings Global High Yield Bond	Vanguard US Investment Grade Credit Index
Ossiam Shiller Barclays CAPE US Sector Value	Vanguard Long Duration Gilt Index
Liontrust GF Sustainable Future US Growth	BlackRock European Dynamic
Loomis Sayles US Growth Equity	Barings Europe Select
WisdomTree Enhanced Commodity	iShares UK Gilts All Stocks Index
Lyxor UK Government Bond 0-5Y	Barings Emerging Markets Sovereign Debt
Man GLG Japan CoreAlpha Professional	Fidelity Asia Pacific Opportunities
MI TwentyFour AM Monument Bond	BlackRock Emerging Markets
	L&G Global Infrastructure Index
	L&G Global Real Estate Dividend Index

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

SPECIALIST FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

JOHN HUSSELBEE

JAMES KLEMPSTER

VICTOR ALABRUNE

DAVID SALISBURY

ANTHONY CHEMLA

PORTFOLIO CHANGES

BOUGHT

No new funds were added during the quarter

SOLD

There were no fund exits during the quarter

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 30 Jun 23 to 30 Sep 23	1 YEAR 30 Sep 22 to 30 Sep 23	3 YEARS 30 Sep 20 to 30 Sep 23	5 YEARS 30 Sep 18 to 30 Sep 23
Liontrust MA UK Equity S Acc	0.30	11.87	25.16	12.35
IA UK All Companies	0.89	12.77	26.39	10.24

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	30 Sep 22 to 30 Sep 23	30 Sep 21 to 30 Sep 22	30 Sep 20 to 30 Sep 21	30 Sep 19 to 30 Sep 20	30 Sep 18 to 30 Sep 19
Liontrust MA UK Equity S Acc	11.87	-10.38	24.84	-14.34	4.79
IA UK All Companies	12.77	-15.33	32.38	-12.76	-0.03

Source: Financial Express, as at 30 September 2023. Total return figures are calculated on a single pricing basis. Performance figures are shown in sterling unless otherwise specified. The fund performance figures are net of all fees.

ASSET ALLOCATION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
UK equities	N/A

FUND SELECTION

PERFORMED WELL ▲	DIDN'T PERFORM AS WELL ▬
JOHCM UK Dynamic	WS Lindsell Train UK Equity
JOHCM UK Equity Income	WS TB Evenlode Income
Artemis Income	
Liontrust UK Equity	
iShares 100 UK Equity Index	
iShares UK Equity Index	

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 26 for more information on the Key Risks.

IMPORTANT INFORMATION

KEY RISKS

Past performance does not predict future returns. You may get back less than you originally invested.

The Funds and Model Portfolios managed by the Multi-Asset Team may be exposed to the following risks:

Credit Risk: There is a risk that an investment will fail to make required payments and this may reduce the income paid to the fund, or its capital value. 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;

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss;

Liquidity Risk: If underlying funds suspend or defer the payment of redemption proceeds, the Fund's ability to meet redemption requests may also be affected;

Interest Rate Risk: Fluctuations in interest rates may affect the value of the Fund and your investment. Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result;

Derivatives Risk: Some of the underlying funds may invest in derivatives, which can, in some circumstances, create wider fluctuations in their prices over time;

Emerging Markets: The Fund may invest in less economically developed markets (emerging markets) which can involve greater risks than well developed economies;

Currency Risk: The Fund invests in overseas markets and the value of the Fund may fall or rise as a result of changes in exchange rates.

Index Tracking Risk: The performance of any passive funds used may not exactly track that of their Indices.

Any performance shown in respect of the Model Portfolios are periodically restructured and and/or rebalanced. Actual returns may vary from the model returns.

The issue of units/shares in the Liontrust Multi-Asset 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.

For the Multi-Asset Model Portfolios, any performance shown represents model portfolios which are periodically restructured and/or rebalanced. Actual returns may vary from the model returns. There is no certainty the investment objectives of the portfolio will actually be achieved, and no warranty or representation is given to this effect, whether express or implied. The portfolios therefore should be considered as long-term investments.

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