LIONTRUST
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WINTER 2024

# LIONTRUST views

## Is this the start of a new tech boom?

With rapid advancements in technology including AI, which stocks might be the long-term winners from a new growth phase for the sector?

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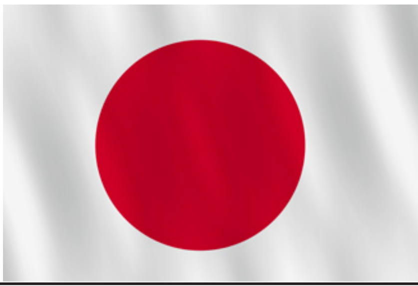



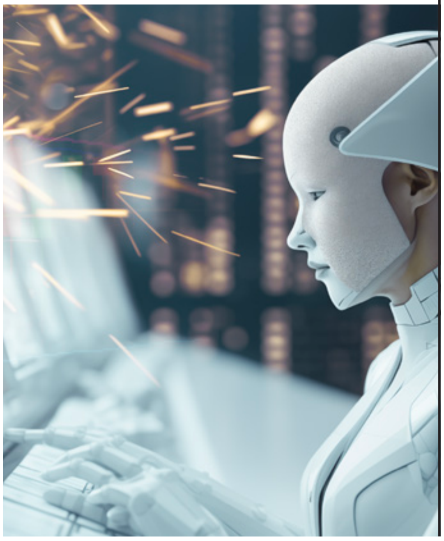

# WELCOME

Welcome to the winter edition of *Liontrust Views*. Global equity markets ended 2023 on a relative high, with several gaining double digit returns over the year. Even the year's poorer performers, including the UK, Asia Pacific and emerging markets, were in positive territory. Global markets generally were boosted towards the end of 2023 by increasing expectations that interest rates would be cut this year as data showed inflation appeared to be ebbing.

Overall, the underlying tone of markets has stabilised. While fears of a recession persist, a mild downturn seems more likely in 2024 than a deep one because central banks will strive to avoid it, and the global economy remains on a solid footing.

This edition of *Liontrust Views* features our regular articles that review market events in recent months, the factors driving them and our thoughts on the future. We also explain changes in our views on the different markets and asset classes.

Last year was dominated by technology – from AI to cloud computing – and many of the companies leading the way in these new advancements enjoyed substantial growth in valuations. In our cover story on pages 8 and 9, we ask if we are at the start of a new tech cycle and who the winners might be from this?

On pages 12 and 13, we look at how equities and bonds can generate an income from an investment portfolio following the rapid rise in interest rates and their potential reduction this year.

Japan has returned to favour for many investors after three decades of being in an economic slump. On pages 10 and 11, we analyse the opportunities presented by the Japanese stock market that have been partly driven by sweeping changes to corporate governance and moves by the government to make it more investor friendly.

Finally, our performance overview 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, as always, we welcome your feedback. ■

PORTFOLIO POSITIONING:

# ADAPTIN TO THE MARKET

## Market backdrop

Global financial markets rallied in the last three months of 2023 after poor performance in the previous quarter. This was driven by a switch in expectations to the fact that interest rates in leading economies would be cut early in 2024. This was despite central banks continuing to warn that the fight against inflation was not yet over.

The quarter had begun on a negative note in October, however, when there were concerns that interest rates would remain higher for longer to tackle stubborn inflation. Conflict also flared in the Middle East. The US S&P 500 index officially corrected in October, breaching a level more than 10% below its high earlier in the year. The enthusiasm for AI (artificial intelligence) that drove the market earlier in the year dissipated.

Then markets changed in November. Data showed inflation was cooling significantly in the US, Europe and UK. Global equities saw their biggest monthly rally in three years and yields (the return investors expect to receive each year to maturity) compressed in fixed income markets. Rate cuts in the New Year looked more likely in the UK when data showed the economy shrank in the third quarter and fears grew that Europe was entering a recession. The US economy remained buoyant.

## What we are doing

The adjustments we made to the target asset allocations for our funds and portfolios in the last quarter of 2023 were all in equities, whereas they were mainly in fixed income in the previous quarter.

Although the overall target exposures to equities within each of our eight risk levels remained unchanged, we trimmed those for US and European equities to fund a more pro-Japanese stance. Overall exposures to fixed income, cash and alternatives were all unchanged.

In our latest quarterly Tactical Asset Allocation review, we raised our outlook for Japanese equities, including to smaller companies, from neutral to positive. Japanese equities benefited in 2023 from relatively cheap valuations, a weakening currency, robust economic growth and loose monetary policy.

Despite hitting a 33-year high, the Japan market was still below its all-time high level from December 1989 and we believe it has some way to go upwards as its economy enters a new phase after meagre performance against a deflationary backdrop for two decades. We believe that Japan continues to offer a combination of relatively attractive valuations with a positive outlook for economic growth. Current conditions may impact the region because of its reliance on exports (although yen weakness may be positive here) and, as with Europe, softening global growth could be problematic. But, on balance, we feel Japan is worthy of an overweight.

We also raised our rating for Japanese smaller companies from neutral to positive for the same reasons that we did so for the large and mid caps. Smaller companies in Japan should benefit from the same broad themes, with additional sensitivity to domestic economic conditions, whether positive or less so.

In our tactical review, we also maintained our positive outlook on Asia Pacific ex-Japan and emerging markets. Although negative sentiment around China continues to weigh on both, we believe Asia offers a relatively strong economic growth outlook, benign inflationary pressures and potential for policy easing. We believe that emerging markets also offer positive long-term growth prospects.

**In our latest quarterly Tactical Asset Allocation review, we raised our outlook for Japanese equities, including to smaller companies, from neutral to positive**

Regarding fixed income, we maintained our broadly neutral outlook, although we are positive on investment grade corporate bonds. Changes to our Strategic Asset Allocation earlier this year also incorporated greater target exposure to global high yield bonds, which was generally a positive for our solutions in 2023.

# A FORWARD LOOK

Equity markets returned to positive territory in 2023, with the odd exceptions such as China and Hong Kong, after the rare sight of both stock markets and bond markets delivering negative returns in 2022. With the exception of the UK, many markets generated double digit returns in 2023, with the US and global markets significantly driven by the outstanding growth of the Magnificent Seven technology companies – Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla. This was reflected in the Nasdaq index being up by 45% last year.

Where do markets go from here after the contrasting fortunes of the past two years? Are we are at the start of a new tech cycle or are many stocks and markets looking expensive? Which markets and asset classes offer the most value and potential for growth going forward?

The first consideration for 2024 is the fact that this is the year of the election. There could be more than 40 major elections around the world, including for president of the US, Russia and Taiwan and, of course, a general election in the UK, at a time of major conflicts and strong geopolitical tensions. In our view, it is a good rule of thumb, however, not to base investment decisions on political developments because of the relatively limited impact of them on markets over the long term, even with this degree of uncertainty.

If the past few years have taught us anything, it is that we should not be shocked by the fact there are events that surprise us. After all, no plan survives contact with the enemy. With this caveat, there are areas that investors should consider for the year ahead. Other than the impact of the ongoing conflicts, one is when and how strongly will interest rates fall, which will be shaped by the future rate of inflation and economic growth. We are still faced by the question of whether inflation can be fully tamed without driving global economies into recession.

These issues are well known, however, and are priced into markets. Furthermore, the fears that pervaded in 2023 regarding a deep recession have not materialised, while inflation has been falling towards more normal levels.

We continue to believe markets are attractive for disciplined investors. While we are broadly neutral on fixed income, we favour corporate bonds, and we have a bias to equities, which we see as offering attractive valuations on long-term fundamentals. Within equities, we are positioned for a recovery in small caps and value stocks.

On a 12 to 18 month view, we favour the UK, Japan, Asia ex-Japan and emerging equity markets. The FTSE All Share index represents good value, while UK small caps have been particularly hard hit over the last year, and we believe they are likely to have greater potential for future growth than large caps. The Japanese stock market is still below the high it reached in 1989, so despite its outstanding performance in 2023, we believe it still has some way to go upwards. Asian and emerging market economies should benefit from reductions in US interest rates, pro-growth policies in China and strong and favourable demographics over the longer term.

As always though, investors will still face risks in 2024, which is why we are strong advocates for diversification across markets, asset classes and investment styles.

## Asset class outlook

When we are positive about an asset class, we categorise it as ‘overweight’ and may look to increase our allocation to it in our portfolios. Conversely, when we are negative about an asset class, we classify it as ‘underweight’ and may reduce the allocation. ‘Neutral’ means that we are neither positive or negative.

The two areas where we have changed weightings in the last quarter were:

- Investment grade corporate bonds
- Emerging market debt

## UNITED STATES

| STOCKS | ▬ | BONDS | ▬ |
|---|---|---|---|

The US equity market is the largest and most diverse in the world, and it is known for its innovation and leadership in many industries, including technology, healthcare, renewable energy and clean technologies. We have long been cautious about its arguably expensive stocks but believe that corrections in 2022 have brought valuations in general back to more sensible and less unattractive levels. Despite this, it does not feel right to be overweight US equities at present. Also, for a handful of stocks, valuations have run high on the back of AI (artificial intelligence) speculation.

Yields on US treasury bonds reached a 16-year high in October as questions were raised over the US' credit quality and the extent of its debt issuance. However, they have since fallen on market expectations of earlier than previously expected rate cuts by the Federal Reserve in 2024. US government bond yields above 3% can offer greater diversification benefits because of the various interest rate policies around the world.

## EMERGING MARKETS

| STOCKS | ▲ | BONDS | ▬ |
|---|---|---|---|

Emerging markets (EMs) have been poor performers in recent years, which has had much to do with China and its regulatory crackdowns, restrictions on debt restructuring among housebuilders and its zero-Covid policy. China is a major trading partner to other EM countries and its weighting in the EM benchmark indices is around a third, so its fate weighs heavily on investors' sentiments towards EMs. Going forward, we believe EM equities will be more attractive to investors. China has adopted a more pro-growth, stimulus-oriented stance; potential weakening in the US dollar would help EMs to benefit from their own currencies' relative appreciation; and they could also benefit from changes in supply chains that are happening globally.

The yields on emerging market debt (EMD) early in 2023 represented a good return for the lower credit quality, but these have since fallen and we believe that investors should not underestimate the risks posed in a generally higher yield environment, which could make it harder for governments and corporates to fund their debts.

## UNITED KINGDOM

| STOCKS | ▲ | BONDS | ▬ |
|---|---|---|---|

The UK market has been unloved by international investors since Brexit. But unloved can also mean undervalued, and the FTSE All Share Index represents good value that compensates for the political uncertainties and gloomy forecasts for the domestic economy. Much of the case for UK equities now is that a lot of pessimism is priced into their valuations. These companies are cheap both compared to global equities and their longer-term average. It is hard to predict when the UK will turn, but to our mind it will not require a major catalyst.

Gilt prices rose over the last quarter of 2023 as their yields (the return investors expect to receive each year to maturity) fell because of expectations of interest rate cuts in 2024 (the prices of bonds and yields are inversely related). We remain neutral on gilts though, in line with our overall view on fixed income, because we do not expect they will be a substantial driver of investment returns. We are positive on UK corporate bonds, however: we believe that the spreads they offer over government bonds are attractive, meaning that high quality businesses are offering yields that we regard as being good value.

**KEY** ▲ Overweight ▼ Underweight ▬ Neutral

## EUROPE

| STOCKS | ▬ | BONDS | ▬ |
|---|---|---|---|

Europe has adjusted surprisingly well from the energy challenges created by the conflict in Ukraine. The pandemic and energy crisis have galvanised the region's leaders and put an end to a prolonged period of punishing austerity and negative interest rates. It is also home to many multi-national businesses linked to the global growth story. Investors might have been right to shun the continent's stocks for much of the last decade, but we believe they should now consider Europe's role in their portfolios.

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 | ▲ |
|---|---|

A relatively strong economic growth outlook, benign inflationary pressures and potential policy easing on the horizon paint a positive picture. This should translate into generally stronger corporate balance sheets. We believe equity valuations are attractive relative to developed markets and on sustainability, there is potential for significant structural growth in Asia across a range of themes, including better access to good health, energy transition and financial inclusion.

Investors' concerns around China's post-Covid recovery losing momentum, its ailing property sector and tensions with the US have been detrimental for Asia's markets. But longer term, we still believe that Asian stocks will benefit from strong and favourable demographics.

## JAPAN

| STOCKS | ▲ |
|---|---|

We have raised our ranking on Japanese equities from neutral to positive. Japan's stock market rallied significantly in 2023 and we have concluded that its inflationary regime, which should encourage more consumption, combined with improving corporate governance, could create a more positive environment for the economy and – crucially – enable the stock market to flourish.

The Bank of Japan's new governor Kazuo Ueda stated in 2023 that Japan was in a new economic paradigm. However, Japan's economy is reliant on exports, and could be impacted negatively by any weakening in global economic growth or trade. ■

Technology stocks were one of the dominant themes in financial headlines in 2023 as the Nasdaq index was the best performing main stock market. Technology also led the other 10 sectors in the S&P 500 index in being up more than 50% last year.

# IS THIS THE START OF A NEW TECH BO

Is this the beginning of a new tech cycle or have investors already missed the boat on the earnings rush seen? And with AI (artificial intelligence) increasingly being adopted across the economy, who could be the winners from it in 2024 and beyond?

Leading the rally for technology stocks in 2023 were the so-called Magnificent Seven stocks – high-profile companies Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla. These companies have been focused on key trends in technology, such as AI (artificial intelligence), cloud computing and the development of cutting-edge hardware and software.

Yet the dominance of these stocks has led some to question whether they have masked underperformance in other technology-focused shares and indices. The S&P 500 index soared by more than 20% in 2023, yet much of this has been driven by the Magnificent Seven – take these out and the actual gain would be closer to 6%.

There are also fears that the Magnificent Seven are overvalued and could face substantial challenges in the years ahead. One example is falling sales of iPhones hitting Apple, while Nvidia, which is currently the world's leading AI chip maker, is facing increased competition from rivals such as Amazon and Microsoft.

While there are challenges ahead, there are reasons to believe growth is likely to continue in 2024 for the Magnificent Seven and the technology sector overall. All members of the Magnificent Seven are well-established businesses – five of the seven have individual market capitalisations of more than $1 trillion – which make them better placed, if not guaranteed, to withstand economic turmoil.

Meanwhile, the technology sector has shown resilience and arguably has gone through its recession ahead of other sectors. First came the Covid pandemic, which highlighted the importance of technology in areas from online working to healthcare, not least in adapting at speed to unforeseen circumstances, and led to huge demand for technology. However, this was followed by a tough 2022 for the sector after companies were faced with the sharpest interest-rate hiking cycle in history combined with a climb down from unsustainable Covid-induced demand.

According to Liontrust's Global Innovation investment team, since then there has been a shift by technology companies towards focusing on 'profitable growth' after years of 'growth at all costs' – potentially good news for investors.

Companies in the technology sector also tend to be highly innovative and developments such as AI – once niche but now firmly in the mainstream – are increasingly opening up opportunities for companies and individuals in terms of creativity and productivity.

Furthermore, the Magnificent Seven are only one part of the picture, and there are many other exciting technology companies contributing to growth and showing real promise for the year ahead, according to James Dowey, Co-Head of Liontrust's Global Innovation team.

He says: "We believe the Magnificent Seven have been strong because they


were oversold in 2022 and they are leaders in AI. We are only five minutes into the football game in the new technology cycle driven by AI and we expect these companies to deliver strong returns over the coming years."

Dowey points to the performance of technology companies in the Russell 1000 index (which represents the 1000 top companies in the US by market capitalisation) – of 132 technology companies in this index, 100 beat the overall Russell 1000 median stock return of 8.5% in US dollar terms last year.

And Dowey believes the good news is that there is still lots of potential ahead for investors looking to move into technology stocks, including in small technology companies, although as always, investors should do their homework and ensure they understand the potential risks too. "Looking forward, we expect a lot of differentiation within small and mid-cap technology stocks, unlike the late cycle market of 2020 and 2021 when almost everything went up.

"Smaller technology companies that are creating great value for customers and focused on making, rather than just spending money, should do very well and could easily outperform the Magnificent Seven."

But Dowey warns: "However, those that have not adjusted to tougher financial conditions in the past couple of years could keep on going down."

With the world an increasingly digital place, it seems certain that technology will continue to evolve and the success of many firms may be driven by their ability to innovate and adopt fast-moving technologies such as AI. For investors, this could be an opportunity to diversify to invest in the future.

## THREE COMPANIES TO WATCH

### The Liontrust Global Innovation team discuss the merits of three technology stocks

**ServiceNow** – One of the best positioned technology companies for the years ahead is ServiceNow, which manages companies' IT software pile, tidies their mess and enables them to reap the gains. The company helps its customers to generate huge productivity growth from AI.

**Wise** – While the UK is significantly behind the US in technology companies, a notable exception is Wise. Based in London, the company takes an innovative approach to disrupt banks' exorbitant fees for sending money across borders.

**Moderna** – This healthcare company is using AI to speed up drug discovery and is at the forefront of AI's application in pharma. It has tasked its entire workforce to become fluent in AI.

# JAPAN

## THE LAND OF THE RISING SUN?

For the past three decades, Japan has been in an economic slump, with the stock market having little attraction for most investors even though there have been periodic predictions from some commentators of a sustained recovery. However, Japan has recently has seen a renaissance in its fortunes, thanks to stock market reforms and a surge in foreign investment. The Liontrust Multi-Asset team raised its outlook for Japanese equities from neutral to positive in its Tactical Asset Allocation review in the fourth quarter of 2023. With predictions of a 'transformative' 2024, is it time to look to the east?

Japan has been out of favour with investors for a considerable time. First came the global stock market crash of October 1987, which began in the US but then hit all major stock exchanges. However, in 1989, the Japanese stock market peaked, and it has since failed to reach, let alone exceed, that high.

In the 1990s, Japan suffered persistent deflation, which saw the economy stagnate. The country's economy has also come under pressure due to a rapidly ageing population and fewer people entering the workforce.

Meanwhile, the rise of China as the world's largest provider of mass-produced goods overshadowed Japan's ability to compete on cost.

However, a closer look also shows that Japan has done better than many realise. The TOPIX – Japan's equivalent of the FTSE All Share or the S&P 500 indices – bottomed out in 2012, but since then has been climbing steadily and, in June 2023, Japanese shares reached a 33-year high – albeit some way off the peak seen in 1989.

A number of other factors have also combined to make Japan worth looking at for investors wanting diversification for their portfolio.

### Deflation to inflation

Japan has finally moved into an inflationary environment after decades of deflation. According to Trading Economics, the annual inflation rate in Japan rose to 3.3% in October 2023 up from 3% the month before – although this is lower than the four-decade high of 4.3% seen in January

2023. While the Japanese government is still reluctant to declare that deflation is dead, the picture seems brighter than it has been for some time, albeit future price falls should not be ruled out.

If inflation continues to rise then this should push up wages and potentially encourage Japanese consumers to spend more and businesses to look at investing rather than maintaining large cash reserves – all of which should bode well for the economy and businesses operating in Japan.

### Stock market reforms

A significant contributor to the turnaround for Japan is the approach taken by the government to kickstart economic growth. In June 2023, the Japanese government published a series of updated proposals aimed at boosting investment in businesses and people, increasing wages and tackling low productivity.

The plan also included incentives for consumers to encourage them to put more money into investments – in particular Japanese companies – and move away from deposits. Known as the Doubling Asset-Based Income Plan, this is intended to help households increase their financial income through assets and also 'stimulate corporate growth and increase corporate value'.

This followed moves by former prime minister Shinzo Abe, who was assassinated in 2022, to reform corporate governance standards to raise them to a similar level seen in the West. These changes were implemented last year; fast forward to today and there's been large-scale change.

The Tokyo Stock Exchange (TSE) has undergone its largest overhaul in over a decade and committed to increase the standards of all listed Japanese companies. This includes improving their workforce and board diversity, transparency and accountability, with a focus on shareholder returns.

While several countries fought soaring inflation in 2023, Japan has welcomed it following years of deflation. For the first time in decades, Japanese businesses are increasing prices and committing to raising wages.

### Undervalued

Despite a strong run in share prices in 2023, many Japanese companies are widely considered to be undervalued, which could offer an opportunity for investors. A key measure for this is the price-to-book ratio (P/B ratio). This measure compares a company's market value to its book value to assess whether a business is overvalued or undervalued. The book value is the value of a company's assets minus any liabilities it has.

If a company's P/B ratio is below 1, then the market is valuing a company below what its assets are worth – in other words, the stock is potentially undervalued. Conversely, if the P/B ratio is more than 1, the share price is trading at a premium to the company's book value.

According to the Tokyo Stock Exchange (TSE), Japan has a notably higher rate of companies trading with a P/B ratio of less than 1 than the US stock market. In March 2023, the TSE called on listed companies with a P/B ratio of less than 1 to consider measures to enhance their corporate value – and raise their P/B ratios – including through investment in people and R&D. Firms were also encouraged to increase returns to shareholders as a way of improving the P/B ratio.

### Is it working?

Last year, famed investor Warren Buffet increased the size of his firm Berkshire Hathaway's investments in five major Japanese trading companies – which all then saw gains on the Japanese stock market, the Nikkei. This helped investor sentiment in Japanese equities.

James Klempster, Deputy Head of Liontrust's Multi-Asset team, says: "Japanese equities have already rallied significantly this year, benefiting from relatively cheap valuations, a weakening currency, robust economic growth and loose monetary policy. Japan's stock market has waited more than three decades for its moment in the sun and it continues to offer a combination of relatively attractive valuations with a positive outlook for economic growth."

## CHINA AND JAPAN

In contrast to Japan, China has had a difficult year and has underperformed global markets. In the last two years, 50% of global GDP growth came from emerging markets, but none of this was from China. India accounted for 16% of total GDP growth.

Political tensions between the US and China have also seen more companies move operations closer to home and away from China – a process called 'nearshoring'. This has benefited Mexico, which has been a major beneficiary with investment from Tesla and BMW among other companies.

The Chinese stock market remains under pressure, mainly because of the country's disappointing economic recovery since Covid and the ongoing property debt crisis. Even supporting measures like sovereign money injections have shown little effect in propping up the stock market.

Japan also faces potential currency pressures. The era of the weak yen has helped to drive exports – as an exporting nation, a weaker yen aids business competitiveness. However, this is at risk if the Bank of Japan decides to tighten economic policy.

Furthermore, if there is a global downturn, it could impact Japan harder than China, due to the significant foreign investment that global funds have made in Japan in recent times. According to the *Japan Times*, there has been $30.7 billion of overseas investment in Japanese stocks in the year to the end of October 2023.

# INVESTING FOR INCOME

The increase in rates of interest that could be earned from cash accounts in 2022 and for some of 2023 attracted a lot of investment to flow out of equities and bonds. For anyone wanting to earn a relatively attractive rate of income, cash appeared to be king. But is it the appropriate home for someone wanting a regular income long into the future?

Cash can be a good place to park savings for the short term as the returns are not subject to the volatility experienced by 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 putting money into investment markets.

If you wish to make real returns, so that the spending power of investments keeps up with, and potentially even exceeds, the rate of inflation over the long term, then this means investing beyond cash. A variety of asset classes can be used for generating income, principally equities, bonds and property. Over the long term, equities have historically outperformed cash, bonds and inflation.

But before selecting which asset classes to use and how, investors should first consider their own attitudes to risk. This is because different types of assets carry a range of risks that investors should be fully aware of before using them in their income portfolios.

Although investors can use their wealth to own assets directly, such as buying a rental property, for many it is more practical to use funds, which provide diversification across asset classes. They often offer income share classes as well as accumulation classes (in which any income can be automatically re-invested into the fund), and investment trusts may pay income to shareholders as dividends.

In constructing a portfolio to generate an income into the future, it is beneficial to focus on delivering a risk profile to match your own appetite and which is diversified across asset classes

## Equities

Equities represent part-shares in companies listed on stock exchanges and income can come from the dividends they pay.

Companies can increase dividends over time as they grow their earnings and profits, which is also likely to lead to a rise in the share price over time. Another attraction are those companies that can raise the prices for their goods and services in line with the rate of inflation.

This potential for companies to grow both their size and profits is why equities have traditionally delivered the best investment returns over the long term compared with other asset classes. For example, data comparing the performance of assets adjusted for inflation shows that £1 left in cash and UK government bonds 20 years ago would have a purchasing power of 86p and £1.01 respectively today, whereas £1 invested in the FTSE 100 index would be worth over £2.20 in real terms.[1] However, equities are more volatile, so the higher returns do entail a higher risk of losses.

Some companies and even industries have traditionally paid higher dividends than other companies – typically mature businesses and sectors such as tobacco and utilities. In the early stage of a company's development, for example, it is likely to reinvest revenue to grow the business rather than pay out dividends to shareholders. Equities in such companies are known as growth stocks. Start-up technology companies are a good example of this.

When companies are established they might pay higher dividends to shareholders rather than reinvest to support growth. Large companies such as supermarket chains are examples of this and their equities are usually used in 'equity income' or 'value-style' funds, for example.

Some income investors, however, focus on companies in the growth phase of their business in the belief that they will be able to grow their dividend over time as opposed to companies paying out a high starting level of income now that may struggle to increase it in the future.

Equity income funds might be seen as an obvious option in which to invest for reliable income and they are readily structured to provide regular income. However, it is also possible to draw an income from capital gains within your portfolio instead. This latter approach enables you to invest in growth companies – instead of more mature income stocks – while generating a regular income.

## Bonds – typically less risky

Bonds are IOUs issued by governments and companies. They pay interest at a rate usually fixed at launch and then repay the principal after a set period, such as five or 10 years (although some bonds are 'perpetual' and never repay it).

Bonds can therefore be a reliable source of income. The level of interest paid depends on the creditworthiness of the debtor. For example, the UK government or Sainsbury's would typically pay a lower rate of interest than a small company because their relative financial strength means the chances of them defaulting on the debt are usually less.

Bonds are seen as less risky than equities because creditors must be paid before any dividends can go to shareholders and they also have first call on a company's assets in the event of bankruptcy. The downside of bonds, however, is that the income they pay is usually fixed in nominal terms at issue, for example £10 a year, so inflation will erode its spending power over time unless the bond is index- or inflation-linked, as with some UK government bonds, for example.

## A place for real estate

Anyone who has played monopoly knows that owning property can provide attractive income. Real estate, including commercial and residential property as well as infrastructure assets such as power plants and toll roads, can produce steady income streams that are also inflation-proofed if the leases under which assets are rented are index-linked.

Investing in property via funds enables investors to have a stake in a diversified portfolio that is managed by property investment professionals.

Real estate certainly has a place in a diversified portfolio and it can be used to generate income and capital growth.

## Getting the right mix

In constructing a portfolio to generate an income into the future, it is beneficial to focus on delivering a risk profile to match your own appetite and which is diversified across asset classes to navigate future economic and market cycles.

[1]Source: Bloomberg, as at 31 July 2023, based on total returns from FTSE 100, UK gilts all maturities and three-month LIBOR

# FACTS & FIGURES

## QUARTERLY DATA

| UK corporate bonds | European (but not UK) stocks | US stocks | Asian (but not Japanese) stocks | European corporate bonds | US corporate bonds |
|---|---|---|---|---|---|
| 8.24% | 7.88% | 6.94% | 6.68% | 5.41% | 3.89% |
| Bloomberg Barclays Sterling Aggregate Bond Index | FTSE All World Developed Europe excluding UK Index | S&P 500 Composite Index | MSCI Pacific ex-Japan Index | Bloomberg Barclays European Corporate Bond Index | Bloomberg Barclays US Corporate Bond Index |

| Emerging market bonds | Emerging market stocks | Global government bonds | UK stocks | Japanese stocks | Global high yield bonds |
|---|---|---|---|---|---|
| 3.86% | 3.34% | 3.24% | 3.23% | 3.22% | 3.05% |
| Bloomberg Emerging Markets Hard Currency Aggregate Index | MSCI Emerging Market Index | FTSE G7 Index | FTSE All-Share Index | TOPIX Index | ICE Bank of America ML Global High Yield Bond 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 Jan 2023 to 31 Dec 2023** | **1 Jan 2022 to 31 Dec 2022** | **1 Jan 2021 to 31 Dec 2021** | **1 Jan 2020 to 31 Dec 2020** | **1 Jan 2019 to 31 Dec 2019** |
|---|---|---|---|---|---|
| US stocks | 19.17 | -7.79 | 29.89 | 14.74 | 26.41 |
| European (but not UK) stocks | 15.85 | -7.49 | 17.57 | 8.85 | 20.50 |
| UK stocks | 7.92 | 0.34 | 18.32 | -9.82 | 19.17 |
| Japanese stocks | 10.47 | -6.69 | -0.11 | 6.95 | 11.82 |
| Asian (but not Japanese) stocks | 0.53 | 6.00 | 5.75 | 3.36 | 13.92 |
| Emerging market stocks | 4.05 | -9.62 | -1.32 | 15.02 | 14.31 |
| Global government bonds | -1.39 | -7.63 | -5.56 | 6.19 | 1.76 |
| Global high yield bonds | 7.01 | -2.30 | 2.30 | 4.70 | 9.34 |
| US corporate bonds | 2.40 | -5.15 | -0.13 | 6.50 | 10.11 |
| European corporate bonds | 5.66 | -8.75 | -7.11 | 8.57 | 0.29 |
| Emerging market bonds | 3.45 | -6.10 | -1.67 | 3.80 | 7.80 |
| UK corporate bonds | 4.96 | -23.15 | -4.68 | 8.36 | 7.82 |

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, 31 December 2023.

# EXPLORER 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<br>Total returns for the periods shown (%) | 3 MONTHS<br>30 Sep 23 to<br>31 Dec 23 | 1 YEAR<br>31 Dec 22 to<br>31 Dec 23 | 3 YEARS<br>31 Dec 20 to<br>31 Dec 23 | 5 YEARS<br>31 Dec 18 to<br>31 Dec 23 |
|---|---|---|---|---|
| Liontrust MA Explorer 35 Fund S Acc | 6.86 | 5.95 | -11.84 | -4.51 |
| Liontrust MA Explorer Income 45 Fund S Acc | 6.65 | 8.86 | -9.33 | 6.16 |
| Liontrust MA Explorer Income 60 Fund S Acc | 6.53 | 11.10 | 2.23 | 23.75 |
| Liontrust MA Explorer 70 Fund S Acc | 6.51 | 12.21 | 7.12 | 31.51 |
| Liontrust MA Explorer 85 Fund S Acc | 6.35 | 13.59 | 13.43 | 43.53 |
| Liontrust MA Explorer 100 Fund S Acc | 6.07 | 14.07 | 13.63 | 49.65 |

## DISCRETE YEARLY PERFORMANCE

| Fund and share class<br>Total returns for the periods shown (%) | 31 Dec 22 to<br>31 Dec 23 | 31 Dec 21 to<br>31 Dec 22 | 31 Dec 20 to<br>31 Dec 21 | 31 Dec 19 to<br>31 Dec 20 | 31 Dec 18 to<br>31 Dec 19 |
|---|---|---|---|---|---|
| Liontrust MA Explorer 35 Fund S Acc | 5.95 | -17.16 | 0.44 | 2.79 | 5.38 |
| Liontrust MA Explorer Income 45 Fund S Acc | 8.86 | -18.05 | 1.64 | 6.65 | 9.78 |
| Liontrust MA Explorer Income 60 Fund S Acc | 11.10 | -14.22 | 7.26 | 6.76 | 13.38 |
| Liontrust MA Explorer 70 Fund S Acc | 12.21 | -13.81 | 10.77 | 5.73 | 16.11 |
| Liontrust MA Explorer 85 Fund S Acc | 13.59 | -11.82 | 13.25 | 6.42 | 18.90 |
| Liontrust MA Explorer 100 Fund S Acc | 14.07 | -11.65 | 12.74 | 10.55 | 19.14 |

Source: Financial Express, as at 31 December 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** ▲

- US equities
- Corporate bonds
- Global ex-UK fixed income
- Europe ex-UK equities
- High yield bonds
- Emerging market debt
- Medium-duration gilts

**DIDN'T PERFORM AS WELL** ▬

- Alternatives
- Japan equities
- Developed Asia equities
- Emerging market equities

## FUND SELECTION

**PERFORMED WELL** ▲

- Ossiam Shiller Barclays CAPE US Sector Value
- Liontrust GF Sustainable Future US Growth
- Man GLG Sterling Corporate Bond Professional
- Loomis Sayles US Growth Equity
- HSBC Global Aggregate Bond Index
- BlackRock European Dynamic
- Vanguard Global Aggregate Bond
- Liontrust European Dynamic
- iShares UK Property
- L&G Global Infrastructure Index
- iShares Corporate Bond Index
- Barings Emerging Markets Sovereign Debt
- Liontrust Sustainable Future Corporate Bond

**DIDN'T PERFORM AS WELL** ▬

- Federated Hermes Asia ex-Japan Equity
- WisdomTree Enhanced Commodity

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

No new funds were added during the quarter

SOLD

JPM GBP Liquidity LVNAV

## CUMULATIVE RETURN

| Fund and share class<br>Total returns for the periods shown (%) | 3 MONTHS<br>30 Sep 23 to<br>31 Dec 23 | 1 YEAR<br>31 Dec 22 to<br>31 Dec 23 | 3 YEARS<br>31 Dec 20 to<br>31 Dec 23 | 5 YEARS<br>31 Dec 18 to<br>31 Dec 23 |
|---|---|---|---|---|
| Liontrust MA Blended Reserve Fund S Acc | 5.96 | 7.27 | -8.82 | 4.04 |
| Liontrust MA Blended Moderate Fund S Acc | 6.39 | 8.74 | -2.06 | 13.85 |
| Liontrust MA Blended Intermediate Fund S Acc | 6.27 | 9.79 | 3.99 | 21.99 |
| Liontrust MA Blended Progressive Fund S Acc | 6.02 | 10.82 | 9.32 | 30.08 |
| Liontrust MA Blended Growth Fund S Acc | 5.61 | 12.03 | 16.23 | 43.08 |

## DISCRETE YEARLY PERFORMANCE

| Fund and share class<br>Total returns for the periods shown (%) | 31 Dec 22 to<br>31 Dec 23 | 31 Dec 21 to<br>31 Dec 22 | 31 Dec 20 to<br>31 Dec 21 | 31 Dec 19 to<br>31 Dec 20 | 31 Dec 18 to<br>31 Dec 19 |
|---|---|---|---|---|---|
| Liontrust MA Blended Reserve Fund S Acc | 7.27 | -16.42 | 1.70 | 4.74 | 8.93 |
| Liontrust MA Blended Moderate Fund S Acc | 8.74 | -14.79 | 5.69 | 4.42 | 11.33 |
| Liontrust MA Blended Intermediate Fund S Acc | 9.79 | -12.88 | 8.71 | 3.85 | 12.97 |
| Liontrust MA Blended Progressive Fund S Acc | 10.82 | -11.35 | 11.27 | 3.07 | 15.45 |
| Liontrust MA Blended Growth Fund S Acc | 12.03 | -9.19 | 14.25 | 3.25 | 19.23 |

Source: Financial Express, as at 31 December 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
High yield bonds
Europe ex-UK equities
Medium-duration gilts
Developed Asia equities
Emerging market equities
UK equities
Global ex-UK fixed income

**DIDN'T PERFORM AS WELL** ▬

Alternatives
Japan equities
Developed Asia equities
Emerging market equities

## FUND SELECTION

**PERFORMED WELL** ▲

iShares Corporate Bond Index
Vanguard UK Investment Grade Bond Index
L&G US Index
Aegon High Yield Bond
Barings Global High Yield Bond
Ossiam Shiller Barclays CAPE US Sector Value
AB American Growth
BlackRock European Dynamic
Loomis Sayles US Growth Equity
Liontrust European Dynamic
iShares UK Gilts All Stocks Index
iShares Continental European Equity Index
iShares UK Property
JOHCM UK Dynamic

**DIDN'T PERFORM AS WELL** ▬

Federated Hermes Asia ex-Japan
WisdomTree Enhanced Commodity

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<br>Total returns for the periods shown (%) | 3 MONTHS<br>30 Sep 23 to<br>31 Dec 23 | 1 YEAR<br>31 Dec 22 to<br>31 Dec 23 | 3 YEARS<br>31 Dec 20 to<br>31 Dec 23 | 5 YEARS<br>31 Dec 18 to<br>31 Dec 23 |
|---|---|---|---|---|
| Liontrust MA Dynamic Passive Reserve Fund S Acc | 6.06 | 7.12 | -6.54 | 10.11 |
| Liontrust MA Dynamic Passive Moderate Fund S Acc | 6.51 | 8.53 | -1.67 | 16.22 |
| Liontrust MA Dynamic Passive Intermediate Fund S Acc | 6.46 | 9.62 | 4.97 | 25.27 |
| Liontrust MA Dynamic Passive Progressive Fund S Acc | 6.19 | 10.38 | 11.39 | 34.58 |
| Liontrust MA Dynamic Passive Growth Fund S Acc | 5.80 | 11.76 | 18.67 | 46.49 |
| Liontrust MA Dynamic Passive Adventurous Fund S Acc | 5.57 | 11.62 | 18.89 | 51.96 |

## DISCRETE YEARLY PERFORMANCE

| Fund and share class<br>Total returns for the periods shown (%) | 31 Dec 22 to<br>31 Dec 23 | 31 Dec 21 to<br>31 Dec 22 | 31 Dec 20 to<br>31 Dec 21 | 31 Dec 19 to<br>31 Dec 20 | 31 Dec 18 to<br>31 Dec 19 |
|---|---|---|---|---|---|
| Liontrust MA Dynamic Passive Reserve Fund S Acc | 7.12 | -15.21 | 2.89 | 6.30 | 10.84 |
| Liontrust MA Dynamic Passive Moderate Fund S Acc | 8.53 | -13.59 | 4.85 | 5.27 | 12.27 |
| Liontrust MA Dynamic Passive Intermediate Fund S Acc | 9.62 | -11.11 | 7.72 | 4.75 | 13.92 |
| Liontrust MA Dynamic Passive Progressive Fund S Acc | 10.38 | -8.83 | 10.69 | 3.34 | 16.92 |
| Liontrust MA Dynamic Passive Growth Fund S Acc | 11.76 | -6.76 | 13.88 | 3.08 | 19.75 |
| Liontrust MA Dynamic Passive Adventurous Fund S Acc | 11.62 | -6.62 | 14.06 | 6.29 | 20.26 |

Source: Financial Express, as at 31 December 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 ▬ |
|---|---|
| Corporate bonds | Alternatives |
| US equities | Japan equities |
| High yield bonds | Developed Asia equities |
| Developed Asia equities | Emerging market equities |
| Europe ex-UK equities | |
| Medium-duration gilts | |
| Emerging market equities | |
| Global ex-UK fixed income | |
| UK equities | |

## FUND SELECTION

| PERFORMED WELL ▲ | DIDN'T PERFORM AS WELL ▬ |
|---|---|
| L&G US Index | WisdomTree Enhanced Commodity |
| iShares Corporate Bond Index | |
| HSBC American Index | |
| Vanguard UK Investment Grade Bond Index | |
| iShares Continental Europe Equity Index | |
| iShares Euro High Yield Corporate Bond ESG | |
| iShares UK Gilts All Stocks Index | |
| iShares USD High Yield Corporate Bond ESG | |
| iShares Fallen Angels High Yield Corporate Bond | |
| iShares UK Property | |
| BlackRock Global High Yield Sustainable Credit | |
| iShares UK Equities Index | |
| L&G UK 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.

# INCOME GENERATING FUND RANGE

THE LIONTRUST MULTI-ASSET INVESTMENT TEAM

**JOHN HUSSELBEE**

**JAMES KLEMPSTER**

**VICTOR ALABRUNE**

**DAVID SALISBURY**

**ANTHONY CHEMLA**

## PORTFOLIO CHANGES

BOUGHT

HSBC Global Aggregate Bond Index
Vanguard Global Aggregate Bond
Amundi UK Government Bond 0-5 Year
Man GLG Sterling Corporate Bond
Aegon High Yield Bond
Fidelity Asia Pacific Opportunities
Liontrust European Dynamic
M&G Japan
L&G UK Index Trust
WS Evenlode Income
JPM US Equity Income
Schroder US Equity Income Maximiser
Royal London Corporate Bond
WS Gresham House UK Multi Cap Income

SOLD

SPDR Refinitiv Global Convertible Bond
Robeco Global Credits
L&G Emerging Markets Government Bond (US$) Index
Vanguard UK Long Duration Gilt Index
L&G Sterling Corporate Bond Index
Robeco Financial Institutions Bonds
TwentyFour Income
Vanguard US Investment Grade Credit Index
Vanguard UK Short-Term Investment Grade Bond Index
BlackRock Global High Yield Sustainable Credit Screened
iShares Corporate Bond Index
Vanguard UK Investment Grade Bond Index

## CUMULATIVE RETURN

| Fund and share class<br>Total returns for the periods shown (%) | 3 MONTHS<br>30 Sep 23 to<br>31 Dec 23 | 1 YEAR<br>31 Dec 22 to<br>31 Dec 23 | 3 YEARS<br>31 Dec 20 to<br>31 Dec 23 | 5 YEARS<br>31 Dec 18 to<br>31 Dec 23 |
|---|---|---|---|---|
| Liontrust MA Explorer 35 Fund S Inc | 6.86 | 5.95 | -11.86 | -4.57 |
| Liontrust MA Explorer Income 45 Fund S Inc | 6.65 | 8.86 | -9.38 | 6.14 |
| Liontrust MA Explorer Income 60 Fund S Inc | 6.53 | 11.10 | 2.25 | 23.83 |
| Liontrust MA Monthly High Income Fund S Inc | 6.98 | 7.04 | -4.16 | 3.64 |
| IA Mixed Investment 0-35% Shares | 5.62 | 5.97 | -2.86 | 9.70 |
| IA Mixed Investment 20-60% Shares | 5.65 | 6.81 | 3.66 | 20.00 |

## DISCRETE YEARLY PERFORMANCE

| Fund and share class<br>Total returns for the periods shown (%) | 31 Dec 22 to<br>31 Dec 23 | 31 Dec 21 to<br>31 Dec 22 | 31 Dec 20 to<br>31 Dec 21 | 31 Dec 19 to<br>31 Dec 20 | 31 Dec 18 to<br>31 Dec 19 |
|---|---|---|---|---|---|
| Liontrust MA Explorer 35 Fund S Inc | 5.95 | -17.15 | 0.42 | 2.76 | 5.36 |
| Liontrust MA Explorer Income 45 Fund S Inc | 8.86 | -18.05 | 1.57 | 6.66 | 9.82 |
| Liontrust MA Explorer Income 60 Fund S Inc | 11.10 | -14.22 | 7.28 | 6.78 | 13.42 |
| Liontrust MA Monthly High Income Fund S Inc | 7.04 | -12.97 | 2.89 | -0.10 | 8.24 |
| IA Mixed Investment 0-35% Shares | 5.97 | -10.87 | 2.84 | 3.90 | 8.70 |
| IA Mixed Investment 20-60% Shares | 6.81 | -9.47 | 7.20 | 3.51 | 11.84 |

Source: Financial Express, as at 31 December 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 ▲**

- Corporate bonds
- US equities
- UK equities
- High yield bonds
- Medium-duration gilts
- Emerging market debt
- Global ex-UK fixed income
- Strategic bond
- Property
- Infrastructure
- Global equity
- Short-duration gilts
- Japanese equities

**DIDN'T PERFORM AS WELL ▬**

- Emerging market equities
- Developed Asia equities
- Alternatives

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 ▲**

- Man GLG Sterling Corporate Bond Professional
- HSBC Global Aggregate Bond Index
- SPDR S&P UK Dividend Aristocrats
- Vanguard Global Aggregate Bond
- L&G Sterling Corporate Bond Index
- Barings EM Sovereign Debt
- Vanguard US Investment Grade Credit Index
- Ossiam Shiller Barclays CAPE US Sector Value
- Robeco Global Credits
- Vanguard Long Duration Gilt Index
- iShares Corporate Bond Index
- Barings Emerging Markets Sovereign Debt
- Liontrust GF Sustainable Future US Growth
- Liontrust Sustainable Future Corporate Bond
- Aegon High Yield Bond
- Barings Global High Yield Bond
- Loomis Sayles US Growth Equity

**DIDN'T PERFORM AS WELL ▬**

- Federated Hermes Asia ex Japan Equity
- WisdomTree Enhanced Commodity

# 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<br>Total returns for the periods shown (%) | 3 MONTHS<br>30 Sep 23 to<br>31 Dec 23 | 1 YEAR<br>31 Dec 22 to<br>31 Dec 23 | 3 YEARS<br>31 Dec 20 to<br>31 Dec 23 | 5 YEARS<br>31 Dec 18 to<br>31 Dec 23 |
|---|---|---|---|---|
| Liontrust MA UK Equity S Acc | 5.31 | 8.09 | 16.35 | 32.46 |
| IA UK All Companies | 4.46 | 7.38 | 14.50 | 31.55 |

## DISCRETE YEARLY PERFORMANCE

| Fund and share class<br>Total returns for the periods shown (%) | 31 Dec 22 to<br>31 Dec 23 | 31 Dec 21 to<br>31 Dec 22 | 31 Dec 20 to<br>31 Dec 21 | 31 Dec 19 to<br>31 Dec 20 | 31 Dec 18 to<br>31 Dec 19 |
|---|---|---|---|---|---|
| Liontrust MA UK Equity S Acc | 8.09 | -5.96 | 14.47 | -7.13 | 22.59 |
| IA UK All Companies | 7.38 | -9.06 | 17.25 | -6.01 | 22.24 |

Source: Financial Express, as at 31 December 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

DIDN'T PERFORM AS WELL ▬

N/A

## FUND SELECTION

PERFORMED WELL ▲

WS Evenlode Income
iShares Mid Cap UK Equity Index
Artemis Income
iShares MSCI UK Small Cap
JOHCM UK Dynamic
WS Lindsell Train UK Equity
Liontrust UK Equity
iShares UK Equity Index

DIDN'T PERFORM AS WELL ▬

JOHCM UK Equity Income
iShares 100 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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