



PERFORMANCE REVIEW AND OUTLOOK

MULTI-ASSET FUNDS AND PORTFOLIOS
FEBRUARY 2024

FOR PROFESSIONAL INVESTORS
AND ADVISERS ONLY



Introduction

One of the major talking points in financial planning in 2023 was how much of their savings should clients hold in cash. This followed the rise in interest rates and therefore savings rates that Western economies had experienced at the same time as significant volatility in global investment markets and an increase in geopolitical tension and conflicts.

Why not benefit from the highest savings rates that the UK had offered for many years?

The end of last year, however, illustrated why cash can be a safe harbour in the short term but the active decision not to invest means savers will likely miss out on the long-term benefits of investing in markets. Global markets enjoyed a bounceback in the last two months of 2023, in what could be described as an extended Santa rally. This showed once again it is about time in the market not timing a market; a rally can occur before most investors realise it.

The end of year rally led to global equities rising by 17% in sterling terms over the whole of 2023, with around 60% of these gains being made in November and December.¹ Among the key drivers of global markets in the last quarter were the Magnificent Seven stocks (Apple, Microsoft, Alphabet, Amazon, Meta, Nvidia and Tesla), helped by the excitement for AI (artificial intelligence), the fall in inflation, especially in the US, and rising expectations of interest rate cuts in 2024 across Western economies.

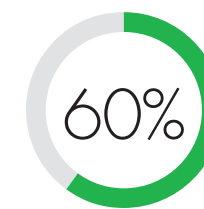
The Liontrust Multi-Asset solutions – across risk profiles and ranges – benefited from these gains through their exposure to international equities and tactical asset allocation (TAA) positioning.

This issue of the Performance Review and Outlook document explains in detail the performance of investment markets and the Liontrust Multi-Asset funds and portfolios in 2023 with a particular focus on the 4th quarter of the year. We also discuss the current Liontrust Multi-Asset TAA, changes to the underlying funds in our Multi-Asset solutions and the reasons for these changes, and the outlook for the rest of 2024 and the longer term.

If you have any questions, please do contact your usual Liontrust sales representative and we will be very happy to help.



The end of year rally led to global equities **rising by 17%** in sterling terms over the whole of 2023



Around **60% of these gains** were made in November and December.¹

¹Source: MSCI/Liontrust 3 January 2024



Market overview

Equities, bonds and real estate all rallied globally in the last two months of 2023 as investors became more confident that leading central banks would cut interest rates in 2024. The weakening in commodities contributed to the fall in headline inflation.

This followed a negative start to the 4th quarter of 2023 with the S&P 500 index correcting in October, breaching a level more than 10% below its high earlier in the year. Yields on global government bonds rose amid a sell-off, including a 16-year high for US treasuries.

Much of the stock market gains in 2023 were driven by a relatively narrow cohort of companies, dominated by the Magnificent Seven stocks highlighted in the introduction and others that investors believe will benefit from the expansion of AI. This cohort broadened out to a greater number of stocks as the rally progressed towards the end of last year.

UK equities lagged other markets over both the 4th quarter and the whole of 2023 following outperformance in 2022. Over three years in sterling terms, UK equities delivered 34.5% versus 32.9% by global markets, although the S&P 500 index returned 41.7%¹. We are positive about UK equities as it is an under-owned and undervalued market.

European equities performed positively over the 4th quarter, beating the UK but lagging the US. Like equities globally, they have delivered strong, double-digit returns over both one and three years, demonstrating how even unfashionable markets can achieve attractive returns over the medium to long term. Europe's stagnation over the last decade has been unsurprising given the macro environment and it was the region most exposed to the Ukraine crisis. We are neutral on the outlook for European equities.

Japan's balancing act between continuing to lift its economy out of decades-long deflation with ultra-loose monetary policy while

preventing rising inflation from becoming a major problem took a turn in the 4th quarter when it ended its seven-year policy of capping long-term interest rates at 1%. Japanese equities rallied significantly in 2023, having benefited from structural and economic reforms, relatively cheap valuations, a weakening currency, robust economic growth and loose monetary policy.

Asia ex-Japan and emerging markets were positive in sterling terms over the 4th quarter and 2023, but over three years they were the only equity regions in negative territory. Issues in China, including problems with its property sector, its lacklustre recovery from Covid and geopolitical tensions with the US, have weighed on its equity market. This forms a significant proportion of both emerging markets and Asia ex-Japan indices and has, commensurately, impacted returns for these regions.

In fixed income, all sub-sectors saw significant gains in the 4th quarter, led by emerging market debt. Credit benefited from the drift down in government bond yields over the year and additional returns from spread compression as the yield premium demanded by investors for allocating capital outside of sovereigns shrunk, both of which aided capital returns. Credit had attractive running yields that resulted from their low valuations at the start of 2023.

Similar to equities, the 4th quarter delivered most of the fixed income returns for the year, which also helped but fell short of reversing the significant losses seen in the asset class over three years: 2022's losses will live long in the memory of bond investors. High yield was the only sub-asset class in positive territory over three years.

¹Source: Bloomberg 3 January 2024

Performance review

Overview

The risk-on tone in global financial markets in the 4th quarter, especially in November and December, was particularly supportive of the Liontrust Multi-Asset funds and portfolios, which all delivered positive returns over both the 4th quarter and 2023.

The new Strategic Asset Allocations (SAAs) have been an important factor in driving positive returns since they were implemented in early 2023. All their contributions to the performance of the funds and portfolios in risk levels one to eight were positive over the 10 months to the end of December. The SAA changes did not involve significant changes in overall target allocations to equities, bonds, cash and alternatives but did result in significant changes in the underlying sub-asset classes within those monolithic categories.

What has driven the performance is greater exposure generally to US equities and a broader fixed income allocation. Exposure to corporate and high yield bonds helped performance in the 4th quarter, while the SAAs also have more short duration gilts (1-5 years) that were supportive in 2023. The previous SAA included more exposure to long-duration gilts, which underperformed on a risk-adjusted basis in 2023. Our exposure to alternatives is also now more diversified.

The SAA is the first of five stages in the Multi-Asset investment process, which also includes the TAA, portfolio construction, manager selection and implementation. The SAA provides the long-term picture but every quarter we reassess our tactical outlook, from which we might adjust our target asset allocations provided we expect sufficient reward.

Over the 4th quarter and the whole of 2023, our tactical selection generally weighed slightly on the relative performance of the Multi-Asset funds and portfolios. However, this was more than outweighed by the contribution from our selection of fund managers in our MA Explorer and MA Blended funds over both periods and in the MA Dynamic Passive funds over the 4th quarter. This was also true of our portfolio ranges over the 4th quarter, but over 2023 our tactical and manager selection detracted modestly from performance.



Liontrust MA Explorer funds

The Liontrust MA Explorer funds returned an average of 6.5% in the 4th quarter of 2023, bringing the full-year average return to 10.9%, ranging from 5.9% in MA Explorer 35 to 14.1% in MA Explorer 100. The funds with a higher weighting to fixed income enjoyed a better 4th quarter, which differed to the full-year returns in 2023 over which the portfolios with the higher equity weightings outperformed. Positive returns were recorded across all underlying asset classes and equity regions of the MA Explorer funds during the quarter, with corporate bonds, emerging market debt and gilts performing particularly strongly.

TAA detracted marginally during the quarter by an average of 24 basis points (bps), mainly driven by an underweight to alternative investments. Some alternative asset classes, including infrastructure and real estate, had a strong final quarter of 2023 as investors started to rotate into investments that would benefit the most from interest rate cuts in early 2024, and our underweight to these asset classes weighed on performance. Over 12 months, however, the underweight to alternatives had a small net positive impact of an average 9bps for the performance of the funds.

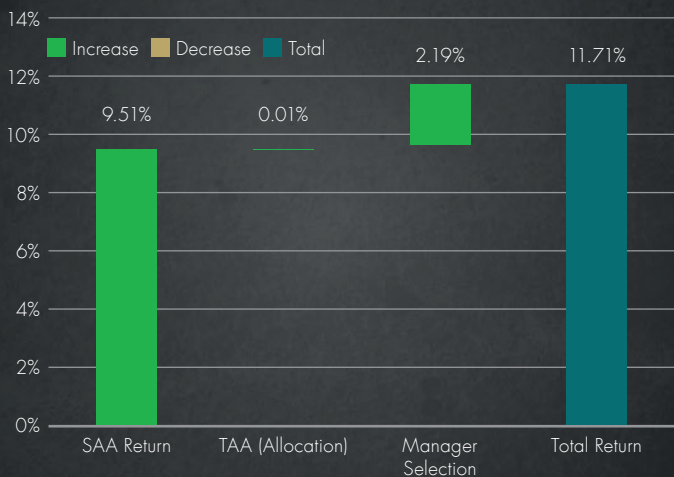
We continue to anticipate better tactical opportunities in fixed income and some equity markets rather than in alternatives going forward. The overweight to UK corporate bonds was positive for returns during the 4th quarter, adding an average of 10bps to performance. UK corporates rallied during the quarter as the two main risks – a large default cycle and further rate rises – subsided and the possibility of a soft landing seemed more likely.

Underlying fund selection continued to be strong in the 4th quarter, adding an average of 59bps to performance and bringing the full-year average contribution to the funds from selection to 2.1%. Our corporate bond managers delivered particularly robust performance in the 4th quarter, contributing an average of 31bps to overall returns. Both our dynamic corporate bond fund (Man GLG Sterling Corporate

Bond) and our more core fund (Liontrust Sustainable Future Corporate Bond) exhibited strong performances in the quarter, surpassing the benchmark by 3.4% and 3.3% respectively. This quarterly success caps an impressive full-year performance, with Man GLG Sterling Corporate Bond outperforming by 10.5% and Liontrust Sustainable Future Corporate Bond outperforming by 4.6%.

Equity fund selection was stronger in developed markets compared to emerging markets and Asian equities. Notably, North American equity selection performed exceptionally well, contributing an average of 34bps to overall performance in the quarter. The Liontrust GF Sustainable Future US Growth Fund, which launched in 2023, surpassed the benchmark by 4.2% in the 4th quarter despite having minimal exposure to the “Magnificent Seven” AI-related behemoths. The value-oriented Ossiam Shiller Barclays CAPE US Sector Value Fund slightly underperformed the benchmark by -0.4% in the 4th quarter but outperformed the S&P 500 over the whole year by 3.3%.

Liontrust MA Explorer Income 60, breakdown of returns over the year to end-December 2023



Liontrust MA Blended funds

The Liontrust MA Blended funds delivered an average return of 6.2% over the 4th quarter, with 2023 returns averaging 9.7%. This range varied from 7.3% for MA Blended Reserve to 12.0% for MA Blended Growth. Higher risk funds outperformed, driven by strong performance in developed markets, particularly North America. All asset classes, except alternative investments, posted positive returns.

In the 4th quarter, TAA had a marginally negative impact, averaging -2bps, although it contributed positively to lower-risk funds. An overweight position in medium-duration gilts and an underweight position in short-duration gilts yielded positive returns. This tactical move was based on the belief that medium-duration gilts represented good value, both in terms of absolute yield and the anticipation of a rally following the end of rate increases. This TAA position played out successfully in an unusually short time frame; typically, TAA positions are allocated in response to a medium term outlook.

Over the year, TAA added an average of 5bps to performance. Overweight positions in UK, Asia ex-Japan and emerging market equities weighed on performance in the 4th quarter and throughout 2023 as these markets struggled to match the performance and strength of the US's Magnificent Seven heavyweights. However, the underweight position in Japanese equities benefited performance, contributing an average of 12bps in the 4th quarter and 16bps over 2023. Despite strong equity market returns in local currency, the depreciation of the yen relative to sterling resulted in a 15% headwind for UK investors.

Manager selection effects were generally positive for the MA Blended funds over both three and 12 months. Developed market equities selection was stronger in the 4th quarter, contributing an average of 7bps to performance and 72bps over the entirety of 2023.

After a challenging 2022, growth-style US equity holdings provided the strongest returns, with Loomis Sayles US Growth and AB American Growth funds outperforming their index in the 4th quarter and over the entire calendar year. UK equity funds contributed positively to manager selection over the quarter, adding an average of 6bps to performance and 7bps over 12 months, driven by strong performances from Liontrust UK Equity and JOHCM UK Dynamic funds.

Manager selection proved to be a drag on emerging market equities performance over both three and 12 months, primarily due to the Vontobel mtX Sustainable Emerging Market Leaders fund's overweight position in China. This fund lagged other emerging market equity returns in 2023 amid increased Beijing business regulation and an economic slowdown.

Liontrust MA Dynamic Passive funds

All the Liontrust MA Dynamic Passive funds delivered positive returns over the 4th quarter of 2023, helped by the positive impacts on global equity and bond markets from the dovish comments from central bankers signalling that interest rate cuts may be on the way in 2024. Developed markets outperformed emerging markets amid recurring worries over China's real estate sector.

Our underlying fund holdings in equities and bonds delivered robust performance. Equities generally contributed more to returns, with our exposure to developed Asia ex-Japan contributing significant alpha, helped by our exposure to Australia and New Zealand, which both delivered high single-digit returns in December. In fixed income, the solid returns from our corporate bond and high yield exposure also contributed positively to the returns delivered over the 4th quarter.

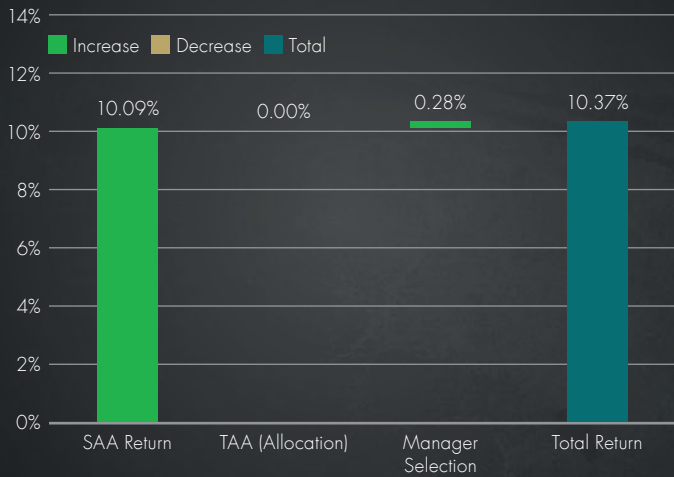
Equities were mostly positive in the 4th quarter, except for emerging markets and the UK. The former was impacted by a volatile quarter due to concerns around China's economic recovery and its real estate market, while the UK lagged because of a combination of higher exposure to underperforming energy stocks and the strength of sterling.

Our basket of commodities contributed negatively over the 4th quarter due to the setback from Brent crude oil led by OPEC anticipating weakening demand in the first half of 2024, just as its global market share declined to the lowest level since the pandemic on output cuts. Meanwhile, the Gaza conflict prompted concerns about potential supply disruptions in the final few weeks of 2023 that were expected to last into 2024, although this has not been reflected in the Brent crude price so far.

Our TAA slightly weighed on performance in the 4th quarter, and while there was no major drag, alternatives, Asia ex-Japan and emerging markets detracted respectively between 4 and 5bps. The active return was only achieved through our manager selection, while the SAA was neutral over the quarter.

In the first half of 2023, the main drag came from the TAA, specifically our emerging markets and Asia positioning. These, together with the natural costs of tracking an index, detracted from performance by 35bps.

Liontrust MA Blended Intermediate, breakdown of returns over the year to end-December 2023

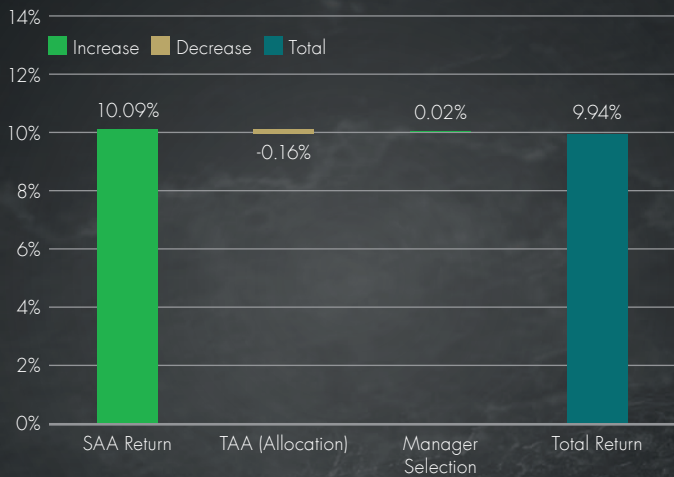


Leading equity performers included HSBC American Index, HSBC European Index, HSBC Pacific Index, L&G Pacific Index and iShares UK Property. iShares Corporate (UK) Bond, Vanguard UK Investment Bond Index, iShares \$ High Yield Corporate Bond ESG, iShares Euro High Yield Corporate Bond ESG and iShares Fallen Angels High Yield Corporate Bond were also positive.

While minimal, emerging markets, Japan and the US detracted from performance, with iShares Emerging Market Index, iShares Japan Index and L&G US Index all slightly underperforming in rising markets. However, in fixed income, our positioning delivered positive alpha over the 4th quarter.

Alternatives recorded a slightly negative performance, including WisdomTree Enhanced Commodity ETF, iShares Physical Gold ETF and L&G Global Infrastructure Index Fund. However, iShares Environment & Low Carbon Tilt Real Estate Index and iShares UK Property both delivered positive returns during the period.

Liontrust MA Dynamic Passive Intermediate, breakdown of returns over the year to end-December 2023



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Liontrust MPS Blended Growth

All the MPS Blended Growth portfolios delivered positive returns over the 4th quarter of 2023, supported by the dovish comments from major central bankers signalling interest rate cuts in 2024. All the MA Blended Growth portfolios delivered positive returns over the calendar year as well.

Overall, the underlying fund holdings in equities and bonds delivered positive performance. While the holdings in alternatives and developed market equities broadly outperformed fixed income over the 4th quarter, the performance over 2023 was more mixed. The lower-risk portfolios with larger allocations to investment grade and high yield bonds outperformed the higher-risk portfolios with larger allocations to small cap and emerging market equities.

In fixed income, credit and rates were positive contributors for both the 4th quarter and 2023. UK corporates returned 8% in the final quarter, bringing their 12-month return to 10%. Selection effects were also positive with our core holding, Royal London Corporate Bond Fund, outperforming its index by 2.7% for the year. The fund's focus on security selection continues to generate strong performance above the benchmark, while its conservative approach to duration management also added to relative outperformance over the year. High yield returned 6% in the 4th quarter, bringing its 12-month return to 11%. Finally, medium-duration gilts returned 8% in the quarter, bringing their 12-month return to 7%.

Our allocation effects in fixed income delivered mixed performance and were broadly flat for the year across the range. While active duration management added to performance, our underweight to investment grade bonds detracted from overall performance.

In equities, developed markets largely outperformed emerging markets and Asia-ex Japan equities. US equities returned 7% in the 4th quarter, bringing their 12-month return to 19%, while emerging markets equities and Asia ex-Japan returned 3% and 4% respectively in the 4th quarter, bringing their 12-month return to 4% each.

Liontrust MPS Dynamic Passive

All the MPS Dynamic Passive portfolios delivered positive returns over the 4th quarter of 2023, reflecting their positioning in the second half of 2023, helped by the impact on global equity and bond markets from the dovish comments from central bankers signalling that interest rate cuts may be on the way in 2024. Developed markets outperformed emerging markets amid recurring worries over China's real estate sector.

From a manager selection perspective, the underlying fund holdings in equities and bonds delivered robust performance, including when compared to the asset classes and equity regions. Equities generally contributed more to returns, with our exposure to developed Asia ex-Japan contributing significant alpha, helped by our exposure to Australia and New Zealand, which both delivered high single-digit returns in December. Our active manager in US Small cap – Artemis

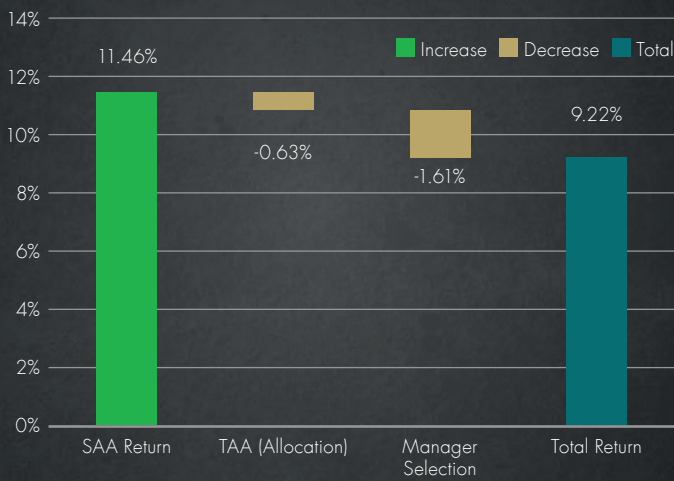
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Fund selection contributed to outperformance in the quarter as our stylistic blends came back in favour with small caps and quality growth outperforming the broader index. The outperformance in the 4th quarter followed a difficult start to the year for small caps. Artemis US Smaller Companies returned 10% over the 4th quarter but finished the year 6% behind the S&P 500 index. Similarly in the UK, Janus Henderson UK Small Caps returned 11% over the quarter but finished the year 5% behind the FTSE All Share index.

Our TAA impact in equities was negative for the year across the range. Our overweight to emerging markets, Asia ex-Japan and the UK, funded by underweights in the US and Europe, detracted from the performance of the portfolios.

In alternatives, our real asset exposure returned 11% in the 4th quarter, bringing the 12-month performance to 0%. For what has been a relatively volatile environment for real assets, our underweight positioning across the range was positive from an allocation perspective.

Liontrust MPS Blended Growth 4 – breakdown of returns over the year to end-December 2023



US Smaller Companies — performed well over the second half of 2023. In fixed income, our blend of managers did a good job with a small detraction coming from one manager in investment grade bonds (L&G Sterling Corporate Bond) and one manager in high yield (L&G Active Global High Yield).

Our TAA slightly weighed and while there was no major drag, alternatives, Asia ex-Japan and emerging markets all detracted respectively between 4 and 5bps in the 4th quarter.

Equities were positive in absolute terms over the 4th quarter and the second half of 2023, with the main driver of alpha coming from our small cap exposure in the US. In contrast, the first six months dragged the 12 month performance of the MPS Dynamic Passive portfolios. Leading equity performers included Fidelity US Index, Artemis US

Smaller Companies, Fidelity Index Europe ex-UK, Baring Europe Select, Janus Henderson UK Smaller Companies and Fidelity Index Pacific ex-Japan. Liontrust Diversified Real Assets, iShares Corporate Bond Index, Baring Global High Yield, Aegon High Yield Bond and Royal London Short Duration Gilt Yield were also positive.

While minimal, Fidelity Index Emerging Markets, Fidelity Index UK and Fidelity Index Japan, L&G Sterling Corporate Bond and L&G Active Global High Yield funds detracted from performance, with iShares Emerging Market Index, iShares Japan Index and L&G US Index funds also underperforming. However, in fixed income, our positioning delivered positive alpha over the 4th quarter.

Alternatives delivered positive returns through the Liontrust Diversified Real Asset Fund over the 4th quarter and the second half of 2023.

MPS Blended Income portfolios

All our MPS Blended Income portfolios delivered positive returns over the 4th quarter, supported by the dovish comments from central bankers signalling interest rate cuts in 2024. As the year came to a close, our MPS Blended Income portfolios all delivered positive returns over the calendar year as well.

Overall, the underlying fund holdings in equities and bonds delivered positive performance, including when compared to the asset classes and equity regions. Our holdings in equities and high yield broadly outperformed lower risk assets over the year

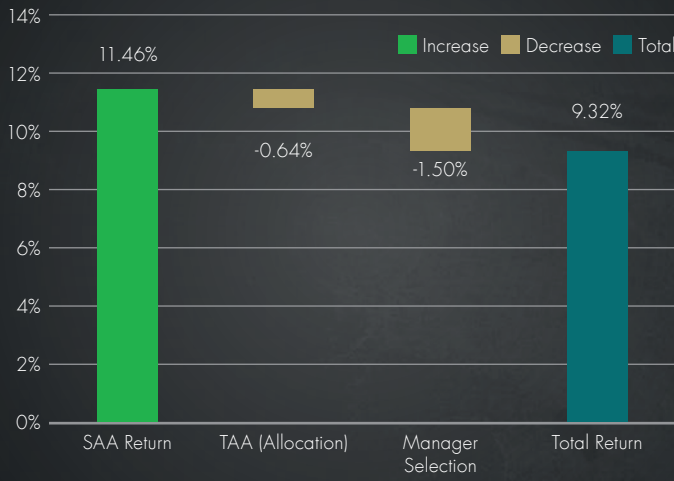
In fixed income, credit and rates were positive contributors for both the 4th quarter and 2023. UK corporates returned 8% in the final quarter, bringing their 12-month return to 10%. Selection effects were also positive in this asset class with our core holding, Royal London Corporate Bond Fund, outperforming its index by 2.7% for the year. The fund's focus on security selection continues to generate strong performance above the benchmark, while its conservative approach to duration management also added to relative outperformance over the year. High yield returned 6% in the 4th quarter, bringing its 12-month return to 11%. Medium-duration gilts returned 8% in the 4th quarter, bringing their 12-month return to 7%.

Our TAA in fixed income delivered mixed performance and was broadly flat for the year across the MPS Blended Income portfolios. While active duration management added to performance, our underweight to investment grade bonds detracted overall performance.

In equities, developed markets largely outperformed emerging markets and Asia ex-Japan equities. US equities returned 7% in the 4th quarter, bringing their 12-month return to 19%, while emerging markets equities and Asia ex-Japan returned 3% and 4% respectively in the 4th quarter, bringing their 12-month returns to 4% each.

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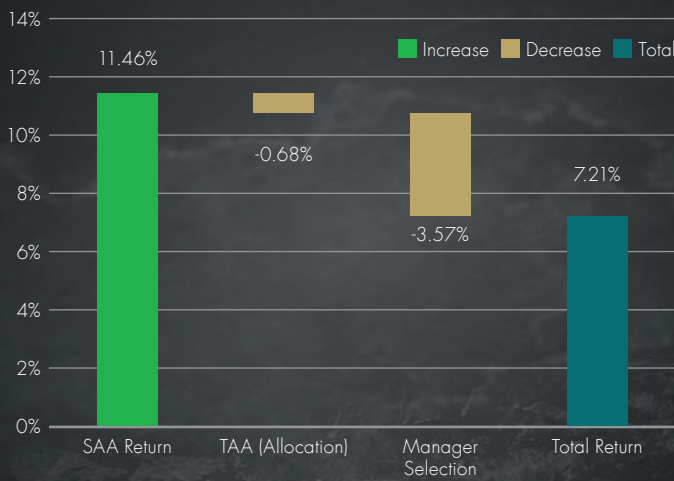
Liontrust MPS Dynamic Passive 4 – breakdown of returns over the year to end-December 2023



Fund selection detracted from returns in the 4th quarter and throughout the year as our value and income bias in the portfolios was unable to keep up pace with the Magnificent Seven technology stocks and large cap quality growth companies in developed markets. The underperformance was largely driven by JPM US Equity Income, which lagged the index by 20% over the year, driven by its underweight to the technology sector and its exposure to income-paying companies that have a natural bias towards cyclical sectors. Our TAA in equities was negative for the year across the MPS Blended Income range. Our overweight to emerging markets, Asia ex-Japan and the UK, funded by underweights in the US and Europe, detracted from the performance of the portfolios.

In alternatives, our real asset exposure returned 11% in the 4th quarter, bringing the 12-month performance to 0%. For what has been a relatively volatile environment for real assets, our underweight positioning across the MPS Blended Income range was positive from an allocation perspective.

Liontrust MPS Blended Income 4 – breakdown of returns over the year to end-December 2023

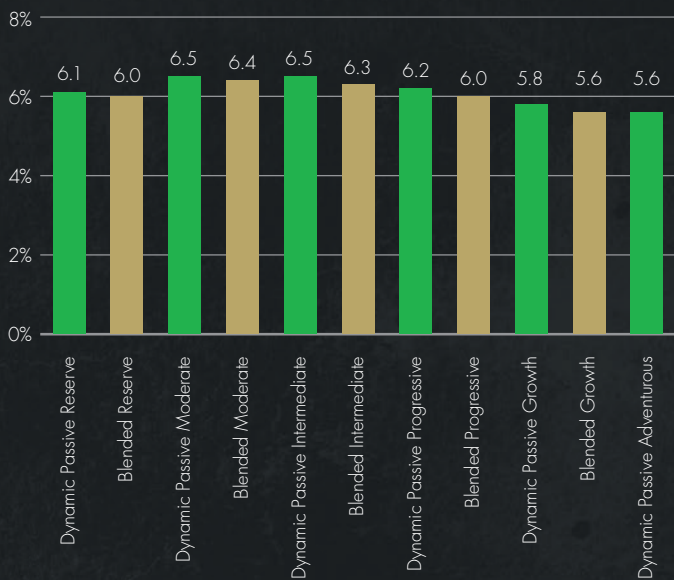


How have the funds and portfolios performed?

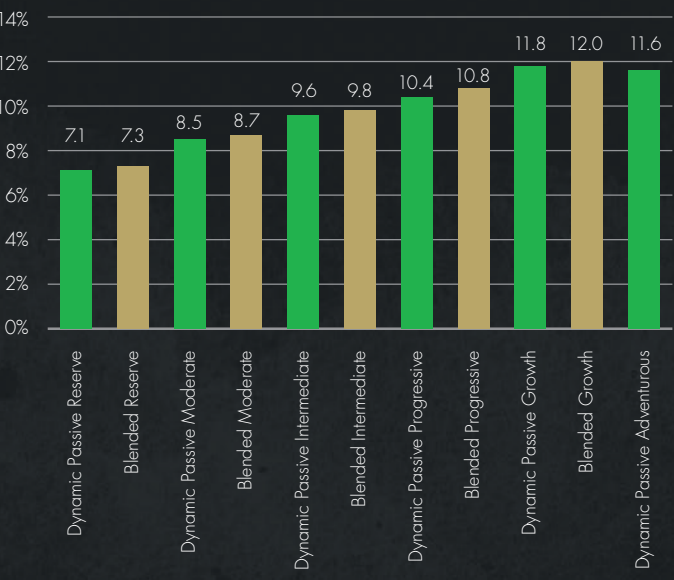
FUNDS

MA DYNAMIC PASSIVE AND BLENDED FUNDS

Q4 2023



12 months to 31 December 2023

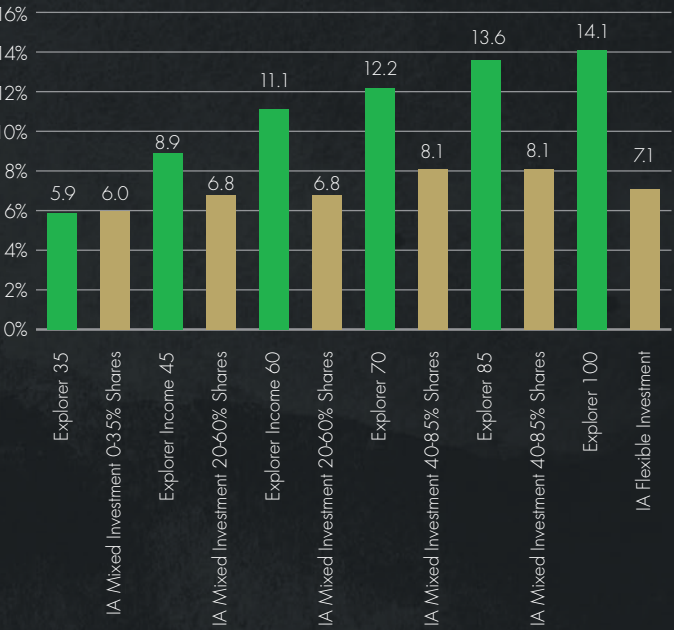


MA EXPLORER FUNDS*

Q4 2023



12 months to 31 December 2023



Source: FE Analytics, as at 31.12.23. Primary share class, total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Fund performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance. *Explorer Funds shown versus comparator benchmarks.

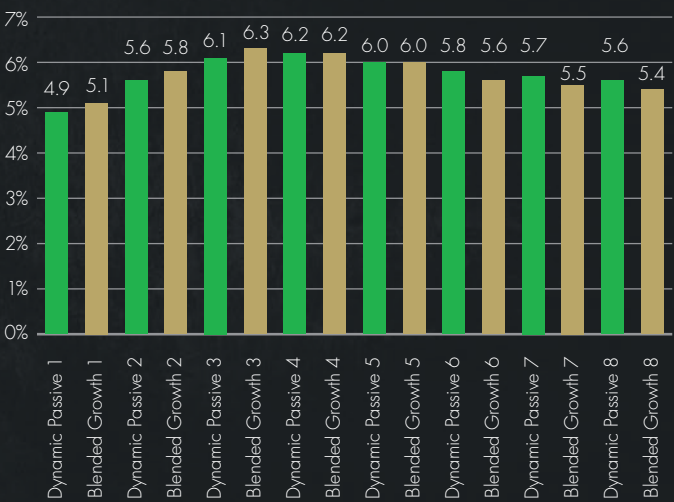
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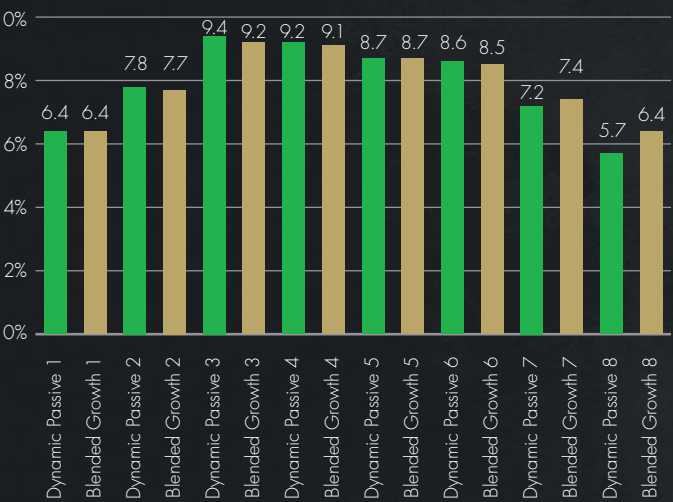
PORTFOLIOS

MPS DYNAMIC PASSIVE AND BLENDED GROWTH PORTFOLIOS

Q4 2023

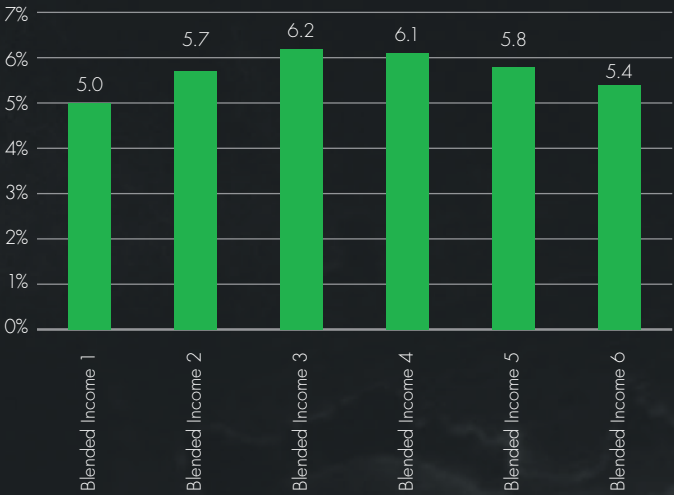


12 months to 31 December 2023

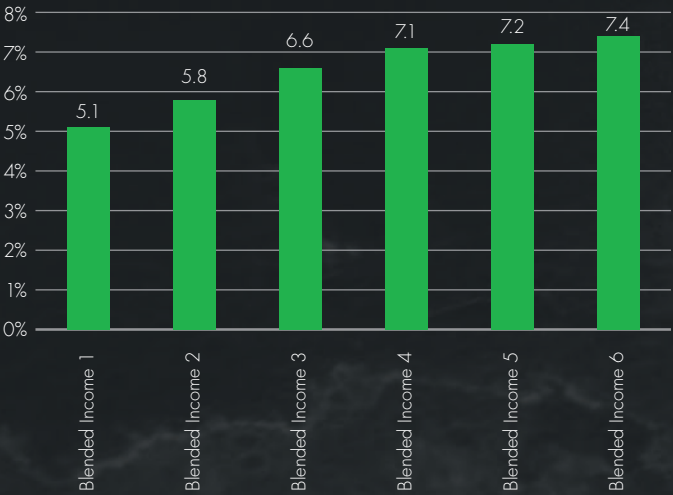


MPS BLENDED INCOME PORTFOLIOS

Q4 2023



12 months to 31 December 2023



Source: Liontrust and Morningstar, as at 31.12.23, portfolio returns based to GBP. All performance is given gross of any deduction in fees with the exception of the underlying assets. The deduction of fees will have the effect of reducing these returns.

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Discrete performance (Funds)

	31 Dec 22 31 Dec 23	31 Dec 21 31 Dec 22	31 Dec 20 31 Dec 21	31 Dec 19 31 Dec 20	31 Dec 18 31 Dec 19
(%)					
Liontrust MA Explorer 35 Fund S Acc*	5.9	-17.2	0.4	2.8	5.4
IA Mixed Investment 0-35% Shares	6.0	-10.9	2.8	3.9	8.7
Liontrust MA Explorer Income 45 Fund S Acc*	8.9	-18.1	1.6	6.6	9.8
IA Mixed Investment 20-60% Shares	6.8	-9.5	7.2	3.5	11.8
Liontrust MA Explorer Income 60 Fund S Acc*	11.1	-14.2	7.3	6.8	13.4
IA Mixed Investment 20-60% Shares	6.8	-9.5	7.2	3.5	11.8
Liontrust MA Explorer 70 Fund S Acc*	12.2	-13.8	10.8	5.7	16.1
IA Mixed Investment 40-85% Shares	8.1	-10.0	10.9	5.3	15.8
Liontrust MA Explorer 85 Fund S Acc*	13.6	-11.8	13.2	6.4	18.9
IA Mixed Investment 40-85% Shares	8.1	-10.0	10.9	5.3	15.8
Liontrust MA Explorer 100 Fund S Acc*	14.1	-11.6	12.7	10.5	19.1
IA Flexible Investment	7.1	-9.0	11.3	6.7	15.7
Liontrust MA Blended Reserve Fund S Acc	7.3	-16.4	1.7	4.7	8.9
Liontrust MA Blended Moderate Fund S Acc	8.7	-14.8	5.7	4.4	11.3
Liontrust MA Blended Intermediate Fund S Acc	9.8	-12.9	8.7	3.8	13.0
Liontrust MA Blended Progressive Fund S Acc	10.8	-11.3	11.3	3.1	15.4
Liontrust MA Blended Growth Fund S Acc	12.0	-9.2	14.2	3.2	19.2
Liontrust MA Dynamic Passive Reserve Fund S Acc	7.1	-15.2	2.9	6.3	10.8
Liontrust MA Dynamic Passive Moderate Fund S Acc	8.5	-13.6	4.9	5.3	12.3
Liontrust MA Dynamic Passive Intermediate Fund S Acc	9.6	-11.1	7.7	4.7	13.9
Liontrust MA Dynamic Passive Progressive Fund S Acc	10.4	-8.8	10.7	3.3	16.9
Liontrust MA Dynamic Passive Growth Fund S Acc	11.8	-6.8	13.9	3.1	19.8
Liontrust MA Dynamic Passive Adventurous Fund S Acc	11.6	-6.6	14.1	6.3	20.3

Source: Liontrust and FE Analytics, as at 31.12.23. *Explorer funds versus comparator benchmarks. Total return figures are calculated on a single pricing basis with net income (dividends) reinvested. Performance figures are shown in sterling. Transaction costs are included for the period shown but may differ in the future as these costs cannot be determined with precision in advance.

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Discrete performance (Portfolios)

	31 Dec 22 31 Dec 23	31 Dec 21 31 Dec 22	31 Dec 20 31 Dec 21	31 Dec 19 31 Dec 20	31 Dec 18 31 Dec 19
(%)					
Liontrust MPS Blended Growth 1	6.4	-6.3	3.5	1.9	6.4
Liontrust MPS Blended Growth 2	7.7	-9.4	5.2	2.7	9.6
Liontrust MPS Blended Growth 3	9.2	-12.4	6.9	3.5	13.1
Liontrust MPS Blended Growth 4	9.1	-11.7	8.7	4.4	14.3
Liontrust MPS Blended Growth 5	8.7	-11.3	10.1	5.2	15.3
Liontrust MPS Blended Growth 6	8.5	-10.8	11.4	6.3	16.0
Liontrust MPS Blended Growth 7	7.4	-10.5	10.2	8.6	16.0
Liontrust MPS Blended Growth 8	6.4	-10.2	9.0	11.0	15.9
Liontrust MPS Dynamic Passive 1	6.4	-5.9	3.2	2.0	5.8
Liontrust MPS Dynamic Passive 2	7.8	-8.7	4.9	3.1	8.6
Liontrust MPS Dynamic Passive 3	9.4	-11.5	6.4	4.0	11.6
Liontrust MPS Dynamic Passive 4	9.2	-10.4	7.6	4.7	13.4
Liontrust MPS Dynamic Passive 5	8.7	-9.6	8.6	5.3	14.6
Liontrust MPS Dynamic Passive 6	8.6	-8.8	9.5	5.9	15.9
Liontrust MPS Dynamic Passive 7	7.2	-7.8	7.8	8.4	16.5
Liontrust MPS Dynamic Passive 8	5.7	-6.7	6.1	10.9	16.9
Liontrust MPS Blended Income 1	5.1	-4.9	3.8	0.8	5.6
Liontrust MPS Blended Income 2	5.8	-7.2	5.8	1.2	8.5
Liontrust MPS Blended Income 3	6.6	-9.5	7.8	1.5	11.5
Liontrust MPS Blended Income 4	7.1	-8.9	9.1	2.7	12.9
Liontrust MPS Blended Income 5	7.2	-8.5	10.0	3.5	14.0
Liontrust MPS Blended Income 6	7.4	-8.2	10.9	4.3	15.1




Source: Liontrust and Morningstar, as at 31.12.23. Performance of portfolios are given gross of any deduction of fees with the exception of underlying assets. Deduction of fees will have the effect of reducing these returns.

Past performance does not predict future returns. You may get back less than you originally invested. Please refer to page 20 for more information.

TAA changes

During the 4th quarter, we raised our target allocation to Japanese equities. This followed our TAA review, in which we moved our ratings for Japanese large cap and Japanese smaller company equities from three to four. Japanese stocks rose significantly in 2023, but we believe that Japanese equities still have further to go as the country's economy enters a new phase after meagre performance against a deflationary backdrop for two decades. The inflationary regime in Japan, combined with improving corporate governance, could create a more positive environment for the economy and – crucially – the stock market to flourish. Smaller companies in Japan should benefit from the same broad themes as the large cap market, with additional sensitivity to domestic economic conditions, whether positive or less so.

Early in 2023, we raised the TAA rankings on both investment markets and equities from neutral to positive because we believed they reflected too negative a stance, which had led to excellent valuation opportunities both in the equity and fixed income markets. Other changes we made during the year included raising our scores for European equities and European small caps from negative to neutral in the first and second quarters respectively.

						
	1	2	3	4	5	Direction of travel
Overall				●		⬆
Cash			●			⬆
UK gilts			●			⬆
Global government bonds			●			⬆
Investment grade corporate bonds				●		⬆
Index-linked bonds		●				⬇
High yield			●			⬇
Emerging market debt			●			⬇
Convertibles			●			⬇
Equity overall				●		⬆
US equity			●			⬆
US small caps			●			⬇
UK equity				●		⬆
UK small caps				●		⬆
European equity			●			⬆
European small caps			●			⬆
Japanese equity				●		⬆
Japanese small caps				●		⬆
Emerging markets equity				●		⬇
Asian equity				●		⬇
Real assets			●			⬆
Alternatives			●			⬆

Source: Liontrust, as at 17 November 2023. Not all the asset classes are used in all the MA portfolios and funds.

Target exposure to Japan

The 4th quarter's increase in exposure to Japan was funded by trimming our exposure to the US and Europe ex-UK. We are constructive on equities and broadly neutral on fixed income, alternatives and cash, for which the broad target allocations remained unaltered.

The US was the strongest equity region in 2023 in sterling terms, but we remain neutral on its stock market. Our manager selection provided exposure to the AI theme that dominated the US over 2023 through US growth fund managers and index funds. But we remain vigilant because the AI-driven rally has been narrow in terms of companies, bringing a small cohort of stocks to valuation levels that are, we believe, unsustainable. A more diversified allocation to the US will benefit less from the AI theme when the going is good, but we also expect it to be less sensitive to the inevitable challenges that this theme will face from time to time.

AI will undoubtedly result in significant changes from a corporate and societal perspective and many commentators are likening its rapid rise to an industrial revolution. What is less certain, however, is whether early movers in AI will generate such barriers to competition that their dominance becomes hegemonic. Historically, early pioneers of a new technology have benefited over the short term. But longer term these benefits spread throughout economies and the dominance of the pioneers faded. Otherwise, today's industrial behemoths would be the early winners of the steam or electrification revolutions. While the AI giants arguably deserve recognition through their stock prices, investors must remain judicious when valuations become too stretched.

We are also neutral on European equities. We believe that Europe is still relatively less attractive than the UK, and the European Central Bank's fight against inflation looks challenging, especially in a region with a significant divergence in growth and inflation rates operating within a single monetary regime.

Japan allocations in MPS

During the 4th quarter, we also changed the allocations in our MPS ranges to Japanese managers: within our MPS Blended Growth and MPS Blended Income portfolios, we divested from Man GLG Japan Core Alpha and reallocated into M&G Japan. The former delivered strong returns in 2023, buoyed by the prevailing favourability

towards the value style in Japan, but we believe the new blend, which also includes Baillie Gifford Japan, presents a more balanced approach to risks, market cap and sector exposure within the region. M&G Japan will provide a valuable counterbalance to the quality growth approach of Baillie Gifford Japan, ensuring the portfolios benefit from a diversified stylistic mix. The changes to our Japan sleeve reflect a deliberate emphasis on increasing stock-specific risk in the region, positioning the blend to harness the opportunities of a changing macroeconomic and corporate governance backdrop.

Two new Asia ex-Japan funds in MPS

In developed Asia ex-Japan, we brought two new funds into our MPS Blended Growth portfolios with the aim of enhancing the overall stylistic balance of our equity blend in the region. This involved the sale and replacement of Schroder Asian Income and Schroder Asian Total Return with a 50:50 blend of Fidelity Asia Pacific Opportunities and Federated Hermes Asia ex-Japan funds.

Fidelity Asia Pacific Opportunities follows a high conviction investment approach, operating a "one in, one out" portfolio construction philosophy. Leveraging Fidelity's extensive analyst base, the fund focuses on finding companies with stable, low leverage balance sheets, predominantly exhibiting a bias toward large cap growth companies. The Federated Hermes Asia ex-Japan fund has a contrarian strategy, seeking companies trading at the right price relative to their quality and exhibiting a broader spectrum of value compared to their peers. Portfolio positioning is weighted towards the highest asymmetric risk/return opportunities, not necessarily those with the highest alpha (or outperformance) expectation. This defensive approach is distinctive and should help to avoid momentum traps.

The benefit of this change is multi-faceted. First, the new blend offers a more complementary style profile, balancing Fidelity's quality growth approach with Federated Hermes' broader spectrum of value. Second, the revised allocation is 12bps cheaper for investors. The inclusion of these funds brings a more idiosyncratic risk profile, which makes stock selection more important for expected returns. The change also enhances diversification, ensuring a well-rounded exposure to Asian equities. The allocation in our MPS Blended Growth portfolios will continue to incorporate a 50% passive allocation alongside the two active funds.

New blend in global high yield in MPS

We have implemented a new high yield blend across the MPS Blended Growth, Blended Income and Dynamic Passive portfolios. We have built strong conviction in two funds that have robust investment processes, experienced teams and are complementary. Barings Global High Yield has a differentiated approach to the high yield universe by excluding issuers in emerging markets and focusing exclusively on developed markets with a bias towards non-financial businesses. While its preference is for industrial issuers, it also likes financials (such as aircraft leasing and insurance companies) and prefers consumer-oriented businesses. The outcome of the process is a core, active high yield fund focusing on US and European issuers and diversified across sectors and issuers.

Aegon High Yield, which we have held for several years, has a well-resourced fixed income division with 13 people dedicated to supporting its two fund managers. The strategy is differentiated versus its peers by its high-conviction, bottom-up security selection, index-agnostic positioning and the managers' global approach to investing across North America, Europe and emerging markets.

The blend of these managers provides two distinct approaches to global high yield, providing us with regional, sector and issuer diversification. We have implemented the blend with a 50% allocation to both funds but we may reweight it according to market conditions.

Outlook

Our overall view on markets remains positive. This has been the case since we raised it from neutral in the first quarter of 2023 because we believed that investment markets reflected too negative a stance, which had led to valuation opportunities in equities and fixed income markets.

Today, we remain of the view that the balance of risks is more positively biased and as a result we have a cautiously optimistic tactical view of the next 12 to 18 months while being cognisant of the potential for short-term headwinds.

While we acknowledge there are short-term challenges posed by policy uncertainty, which has a material bearing on sentiment presently and, consequently, more volatility may lie ahead, markets have calmed down from the high levels of distress seen in recent years. Indeed, the results from markets over 2023 are a testament of the power of a shift in sentiment from negative to merely ambivalent. All the main fears that were popular sources of concern in 2023 have not materialised: economies continue to defy recession fears and inflation data show it falling from previous highs.

Thanks to the ongoing volatile sentiment, equity valuations outside of the US are sitting at historically attractive levels and bond yields are at the highest they have been since the Global Financial Crisis (GFC).

From a TAA viewpoint, we favour the UK, Japan, Asia ex-Japan and emerging market equities, and we are buying what we deem to be attractive equities in various markets around the world, not just in the fashionable US (where we remain neutrally positioned). In our view, equities do not necessarily depend on their domestic economy and could deliver a good outcome even against a backdrop of insipid domestic growth.

The UK is unloved, but that can also mean undervalued. Its stock market represents good value that we believe compensates for the political uncertainties and gloomy forecasts for its economy. UK small caps have been particularly hard hit over the last year, which we believe means they are likely to have greater potential for future growth than the blue chips. We believe in the small cap premium over the longer term, and valuations for UK small caps are at multi-decade discounts to international peers.

Our positive view on Japanese equities, including small caps, was reflected in our 4th quarter TAA review. We believe the country's economy has reached an inflection point after more than three decades of waiting for its moment in the sun, thanks to structural reforms in the corporate sector and the resumption of inflationary forces.

In common with emerging markets, Asia ex-Japan offers a relatively strong economic growth outlook, benign inflationary pressures and potential policy easing. This should translate into generally stronger corporate balance sheets. The poor performance of emerging markets, including Asia ex-Japan, over the last two to three years has had a lot to do with problems in China. But now there is a more pro-growth, stimulus-oriented stance in China, emerging markets and Asia ex-Japan could benefit from the relative appreciation of their currencies versus a weakening dollar, and they are set to be boosted by improved international strategic supply chains.

We are broadly neutral on fixed income, being most positive on investment grade corporate bonds. We believe the spreads they offer over government bonds, which themselves saw yields reach multi-year highs in 2023, mean that quality businesses could be trading at good value. It is widely believed that central banks will trim interest rates this year although the timing and scale remain unclear.

The ultimate catalysts for central banks to cut interest rates, most likely in 2024, will be unknown until after the event. It might be inflation coming under control or weakness in the economy, creating a reverse situation to that seen in 2022. While we would normally say bonds are inversely correlated to equities, you could argue that both asset classes would respond positively to an interest rate cut. It is important to be positioned for this in both the fixed income and equity portion of portfolios but, at the same time, diversity is key to protect investors against the impact of other potential scenarios such as "higher for longer" interest rates.

As always, no one can predict what will happen in markets over the coming year, which has been amply demonstrated over the last few years, and they may encounter more volatility before stronger momentum builds. But thus far disinflation has been relatively pain-free without a spike in unemployment or any other broader damage to the economy. At least for now, central bankers are on course for a soft economic landing, which bodes well for investment markets going forward.

Market performance tables

Global (local returns) as at 29 December 2023

Asset Class / Region	Index	Currency	3 months	YTD	12 months
Developed Markets Equities					
United States	S&P 500 NR	USD	11.60%	25.70%	25.70%
United Kingdom	MSCI UK NR	GBP	2.20%	8.10%	8.10%
Continental Europe	MSCI Europe ex UK NR	EUR	7.70%	17.60%	17.60%
Japan	Topix TR	JPY	2.00%	28.30%	28.30%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	7.80%	7.40%	7.40%
Global	MSCI World NR	USD	11.40%	23.80%	23.80%
Emerging Markets Equities					
Emerging Europe	MSCI EM Europe NR	USD	12.90%	29.80%	29.80%
Emerging Asia	MSCI EM Asia NR	USD	6.70%	7.80%	7.80%
Emerging Latin America	MSCI EM Latin America NR	USD	17.60%	32.70%	32.70%
China	MSCI EM China NR	USD	3.10%	2.00%	2.00%
BRICs	MSCI BRIC NR	USD	-4.20%	-11.20%	-11.20%
Global emerging markets	MSCI Emerging Markets NR	USD	7.90%	9.80%	9.80%
Bonds					
US Treasuries	JP Morgan United States Government Bond TR	USD	5.60%	4.00%	4.00%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	4.70%	3.80%	3.80%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	8.50%	8.50%	8.50%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	7.20%	13.40%	13.40%
UK Gilts	JP Morgan UK Government Bond TR	GBP	8.40%	3.80%	3.80%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	7.40%	8.60%	8.60%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	7.20%	6.70%	6.70%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	5.50%	8.20%	8.20%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	5.50%	12.10%	12.10%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.90%	0.40%	0.40%
Australian Government	JP Morgan Australia GBI TR	AUD	4.10%	4.60%	4.60%
Global Government Bonds	JP Morgan Global GBI	USD	7.80%	4.00%	4.00%
Global Bonds	ICE BofAML Global Broad Market	USD	8.20%	5.50%	5.50%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	6.60%	11.50%	11.50%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	10.50%	10.30%	10.30%
Property					
US Property Securities	MSCI US REIT NR	USD	15.60%	12.30%	12.30%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	15.10%	12.70%	12.70%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	6.00%	-4.40%	-4.40%
Global Property Securities	S&P Global Property USD TR	USD	14.50%	10.40%	10.40%
Currencies					
Euro		USD	4.40%	3.10%	3.10%
UK Pound Sterling		USD	4.40%	5.40%	5.40%
Japanese Yen		USD	5.90%	-7.00%	-7.00%
Australian Dollar		USD	5.90%	0.00%	0.00%
South African Rand		USD	3.10%	-7.20%	-7.20%
Commodities & Alternatives					
Commodities	RICI TR	USD	-6.00%	-4.70%	-4.70%
Agricultural Commodities	RICI Agriculture TR	USD	-0.40%	0.40%	0.40%
Oil	Brent Crude Oil	USD	-19.20%	-10.30%	-10.30%
Gold	Gold Spot	USD	11.60%	13.10%	13.10%
Interest Rates			Current Rate		
United States			5.50%		
United Kingdom			5.25%		
Eurozone			4.50%		
Japan			-0.10%		
Australia			4.35%		
South Africa			8.25%		

Source: Liontrust and Bloomberg Finance L.P. Past performance is not a guide to future returns.

UK (all returns GBP) as at 29 December 2023

Asset Class / Region	Index	Currency	3 months	YTD	12 months
Equities					
UK – All Cap	MSCI UK NR	GBP	2.20%	8.10%	8.10%
UK – Large Cap	MSCI UK Large Cap NR	GBP	0.80%	5.00%	5.00%
UK – Mid Cap	MSCI UK Mid Cap NR	GBP	9.30%	17.80%	17.80%
UK – Small Cap	MSCI Small Cap NR	GBP	8.40%	9.80%	9.80%
United States	S&P 500 NR	USD	6.70%	19.10%	19.10%
Continental Europe	MSCI Europe ex UK NR	EUR	7.70%	15.10%	15.10%
Japan	Topix TR	JPY	3.50%	13.10%	13.10%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	3.10%	1.80%	1.80%
Global developed markets	MSCI World NR	USD	6.60%	17.30%	17.30%
Global emerging markets	MSCI Emerging Markets NR	USD	3.20%	4.10%	4.10%
Bonds					
Gilts – All	ICE BofAML UK Gilt TR	GBP	8.60%	3.60%	3.60%
Gilts – Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	3.00%	4.10%	4.10%
Gilts – 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	8.00%	5.70%	5.70%
Gilts – Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	14.30%	1.50%	1.50%
Index Linked Gilts – All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	9.50%	0.80%	0.80%
Index Linked Gilts – 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	5.90%	6.90%	6.90%
Index Linked Gilts – Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	13.80%	-4.20%	-4.20%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	7.40%	8.60%	8.60%
US Treasuries	JP Morgan US Government Bond TR	USD	1.10%	-1.80%	-1.80%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	3.90%	2.40%	2.40%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	7.20%	13.40%	13.40%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	7.20%	6.70%	6.70%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	5.50%	8.20%	8.20%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	5.50%	12.10%	12.10%
Global Government Bonds	JP Morgan Global GBI	GBP	3.10%	-1.40%	-1.40%
Global Bonds	ICE BofAML Global Broad Market	GBP	8.20%	5.50%	5.50%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	6.60%	11.50%	11.50%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	5.70%	4.60%	4.60%
Property					
Global Property Securities	S&P Global Property TR	GBP	9.50%	4.70%	4.70%
Currencies					
Euro		GBP	0.00%	-2.10%	-2.10%
US Dollar		GBP	-4.20%	-5.10%	-5.10%
Japanese Yen		GBP	1.50%	-11.70%	-11.70%
Commodities & Alternatives					
Commodities	Rogers International Commodity (RICI) TR	GBP	-10.10%	-9.70%	-9.70%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	-4.70%	-4.80%	-4.80%
Oil	Brent Crude Oil	GBP	-22.70%	-15.00%	-15.00%
Gold	Gold Spot	GBP	6.70%	7.20%	7.20%
Interest Rates			Current Rate		
United Kingdom			5.25%		

Source: Liontrust and Bloomberg Finance L.P. Past performance is not a guide to future returns.

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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