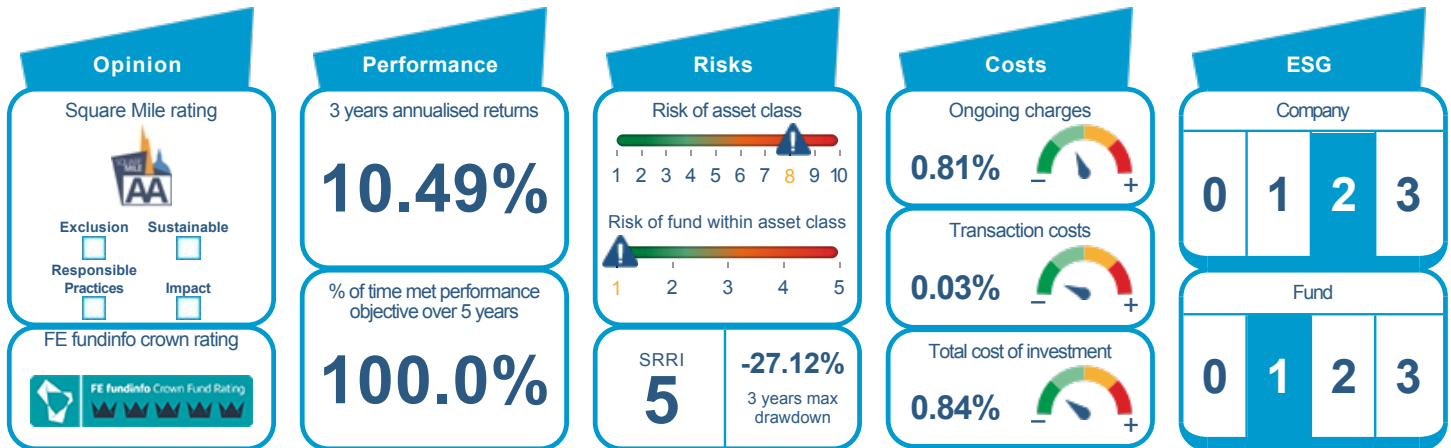


Liontrust Special Situations I Inc

November 2021
Investment Research



Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of UK equities. Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that the fund should be able to outperform the FTSE All Share index by approximately 2% per annum over rolling five year periods.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA UK All Companies
Launch Date: 10/11/2005	Fund Size (as at 12 Nov 2021): £6467.7m
Yield: 1.07%	Distribution Pay Date: Jun 01 (Final)
Fund Manager: Anthony Cross, Julian Fosh	Ongoing Charge Figure: 0.81%
	Transaction Cost ex Ante: 0.03%



Fund Opinion

We believe this fund benefits from a number of compelling attributes. Under the leadership of Anthony Cross and Julian Fosh, Liontrust's Economic Advantage team of five may be modest in number but works in a highly collegiate manner, with its members offering complementary skill sets. There is also a very well considered and defined investment process in place, which steers the managers towards relatively steady businesses that are gradually growing and generating high levels of cash. Essentially, the team is looking for companies operating with a clear and unique competitive edge. However, combined with this a firm must also be able to demonstrate that it can capitalise on this advantage to produce consistently attractive levels of return; importantly at levels that are greater than the cost of servicing its invested capital.

What is clear here is that the team operates with a disciplined adherence to their investment process, with the managers being fully prepared to exit those companies that lose their idiosyncratic advantage or fail to translate it into superior returns. Nevertheless, the thoroughness of the approach and experience of the team, mean that stock turnover in any given year tends to be on the low side.

Whilst this is not an income strategy as such, the companies in the portfolio tend to generate a high level of dividend growth over time as shareholders participate in the companies' success. Often these types of business are not seen as being the most dynamic but they do tend to steadily generate attractive returns. It is important to note that the fund tends to be structurally absent from certain sectors (such as materials and energy-related stocks), so performance should be expected to deviate from the index at times. Pleasingly for the current fund holders, this performance deviation has been impressively positive, with the fund having demonstrated impressive success in meeting its long-term performance objective.

Fund Description

Anthony Cross commenced his investment management career at Schroders in 1991, where he initially worked as an equity analyst before moving over to the Smaller Companies team. Mr Cross then joined Liontrust in 1997, developing this fund's investment strategy and underlying process, which was first used in a UK smaller companies vehicle from 1998 onwards. He has run this fund, which uses the same philosophy and process but invests across the market capitalisation range, since its launch in 2005. Co-manager Julian Fosh has a career spanning back to 1984, having worked at Scottish Friendly Assurance Society Limited as well as Britannia Investment Managers and Scottish Amicable. Mr Fosh joined Liontrust in 2008 from Saracen Fund Managers and has worked alongside Mr Cross since that time. The managers have since been joined by Victoria Stevens, who joined Liontrust from specialist broking firm finnCap in June 2015, Matthew Tonge, who has been with Liontrust since 2003, having previously headed up the firm's trading desk, before moving to this team in late 2015 and Alex Wedge, who joined as a trainee fund manager in March 2020 from N+1 Singer.

The managers believe that companies which have a durable competitive edge will generate above average returns over the long run. For a company to have an edge, which is both durable and competitive, the managers believe that it needs to have at least one of the following three characteristics. Firstly, intellectual property that can be gained through possession of legally protected patents and copyrights, or through more informal means such as trade secrets or specialist know-how that is difficult to replicate outside of the organisation. Secondly, the firm may have a strong distribution network that is in a physical or electronic form. Thirdly, it might have recurring revenue streams that stem from the brand or convenience of the product that they offer. These three factors go towards building intangible assets, which are not evident on the company's balance sheet but nevertheless are vital components of a company's competitive advantage as they are difficult for outsiders to replicate. Often these attributes tend to be self-reinforcing, where success builds success, and this generates sustainable growth and subsequently, staying power. As a result, profits can remain at abnormally high levels for extended periods.

Having identified promising companies which possess one or more of these attributes, the team then analyses the firm's accounts to examine if its favourable competitive positioning has been converted into above average profit generation. Companies that have no history of financial productivity are not pursued. The team also tends to avoid companies with risks that are outside of the companies' control such as utilities and mining, or businesses which the managers struggle to fully understand such as life companies. The portfolio tends to be made up of around 50 - 60 stocks taken from across the capitalisation range, though there is a distinct small and mid cap bias. When considering smaller companies, the team is looking for situations where the firm's management retains a significant stake in the business.

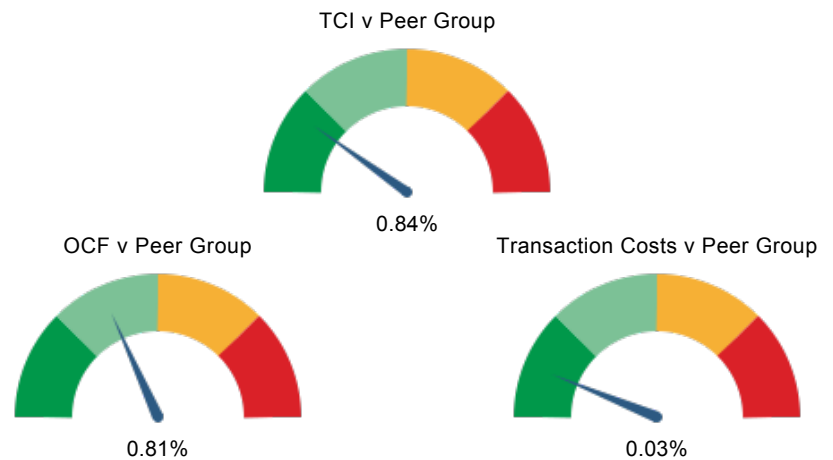
Risk Summary

This fund invests in equities and as such the main risk is that these, as higher risk assets, can be volatile investments. As a result of the managers' quality growth focused investment approach, the fund will typically have a bias to medium and small companies, which can be more volatile than their larger sized peers. Though, we would note here that the managers' focus on steady and reliable businesses should help to add a defensive nature to this strategy's performance profile, when compared to the FTSE All Share index. Ultimately, the strategy may be more suitable for investors with a longer time horizon.

Value for Money

The fund's ongoing charge figure (OCF) is below the peer group median, as are the fund's transaction costs, which are associated with trading activity. Thus, we believe that the fund's total cost of investment is highly competitive and offers investors very good value for money, especially when one considers the fund's highly laudable success rate (in terms of the fund meeting its performance objective), as well as the very credible management team in place and the investment approach applied.

In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, which can include items outside of the OCF, such as research costs. Liontrust absorbs the costs associated with its research, which should slightly reduce the overall fee paid by investors.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are considered formally but are not instrumental within all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	10.49%
Annualised Volatility	14.99%
Max Drawdown	-27.12%
Max Gain	10.76%
Max Loss	-26.45%
Sharpe Ratio	0.65
Sortino Ratio	0.55

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

527.1 pence

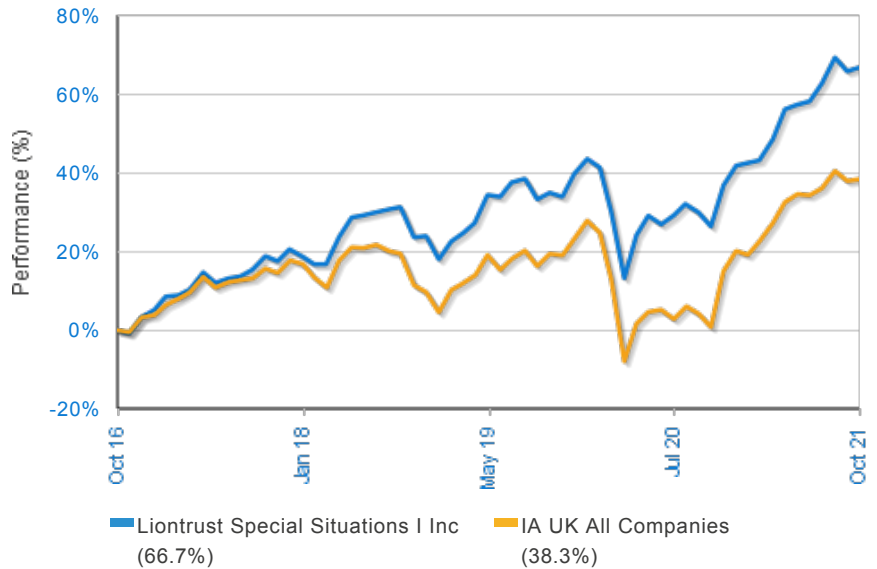
Benchmark

FTSE All Share

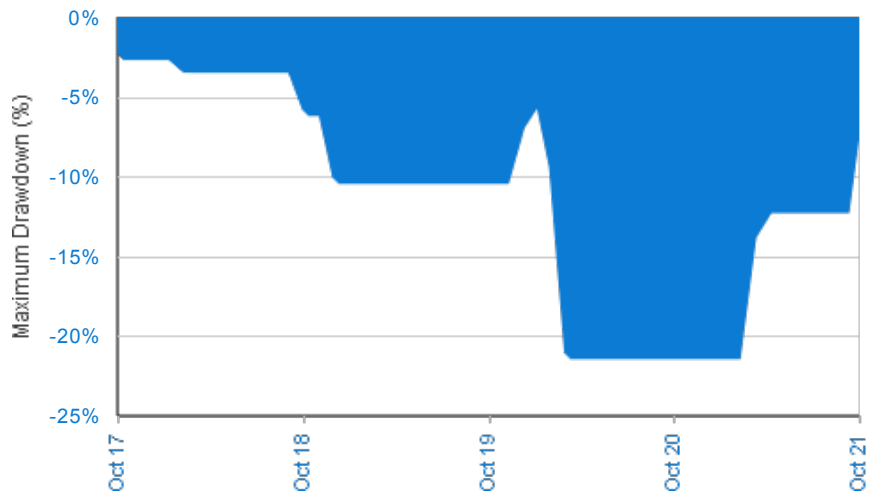
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	27.6	32.4	3
12-24m	-3.7	-12.8	1
24-36m	2.8	0.0	2
36-48m	13.8	5.5	1
48-60m	13.7	13.6	2

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 29 Oct 2021)

Company Name	%
ROYAL DUTCH SHELL PLC	3.7
DIAGEO	3.7
RELX PLC	3.5
GLAXOSMITHKLINE	3.3
PAGEGROUP PLC	3.3
BP	3.2
SAGE GROUP	3.1
SPIRAX-SARCO ENGINEERING	2.8
COMPASS GROUP PLC	2.6
SAVILLS	2.5

Sector Breakdown

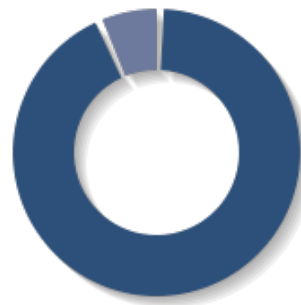
(Data as at 29 Oct 2021)



- Industrials (26%)
- Consumer Discretionary (17%)
- Financials (11%)
- Technology (10%)
- Consumer Staples (8%)
- Energy (8%)
- Health Care (8%)
- Money Market (7%)
- Real Estate (3%)
- Other (1.8%)

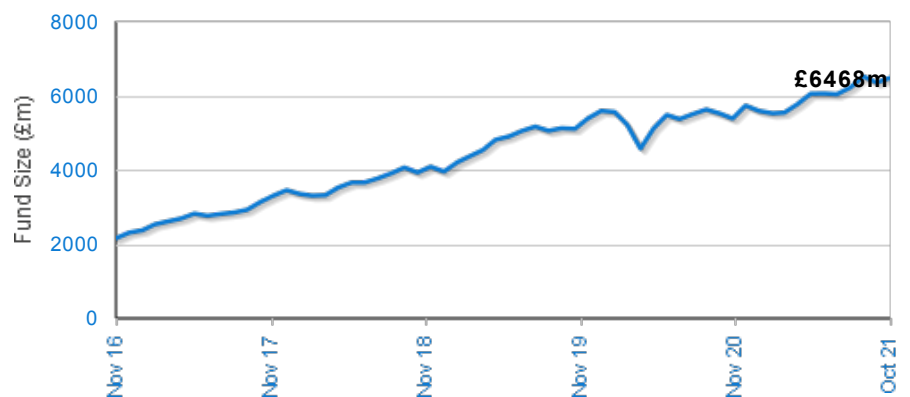
Geographic Breakdown

(Data as at 29 Oct 2021)



- UK (93%)
- Money Market (7%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk			●
Liquidity Risk		●	
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund is predominantly invested in domestic assets.

Liquidity Risk

This fund has a sizeable allocation to smaller companies and may have to resort to disposing of some stocks below their fair value when selling shares to meet client redemptions. The risk of this happening is most acute at times of financial distress.

Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The managers are seen as a critical element in Square Mile's rating of the fund. If one were to leave, Square Mile would likely downgrade the fund's rating.

FE Risk Rating: 76.00

SRRI: 5

Disclaimer

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