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Liontrust GF European Strategic Equity Fund

June 2022 review

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The Fund's A4 share class returned 0.6%* in euro terms in June. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -7.7% and -2.2% respectively.

The World Bank's June edition of its Global Economic Prospects warned of several years of above-average inflation and below-average growth as it cut its 2022 growth forecast from 4.1% (at the time of the January report) to 2.9%.

One of the factors in the downgrade is the impact of interest rate normalisation, and this continued apace in June. A Wall Street Journal article leaked the US Federal Reserve's intention to raise rates by 0.75%, rather than the 0.5% previously expected, and a couple of days later the central bank duly delivered its largest hike since 1994. Fed Chair Jay Powell later commented in Senate testimony that a US recession is "certainly a possibility" and was largely out of its control. Following news that the UK economy had shrunk 0.3% in April, the Bank of England continued its tightening with a fifth consecutive hike, but opted for another 25 basis point increase rather than a larger move.

The rapid rise in interest rate expectations this year had contributed to the MSCI Europe Value Index outperforming its Growth counterpart by almost 19 percentage points year-to-date heading into June. Despite the monetary tightening seen in June, investors are now increasingly focused on the potential recessionary impact of high rates, with the likelihood that this may necessitate future cuts. The market expectation for US peak rates in this cycle shifted up from under 3.0% to nearly 3.5%, but it is also now expected to peak earlier – the first half of 2023 – with cuts taking it back under 3.0% by the end of 2023.

Against this backdrop, the MSCI Europe Value Index fell more heavily during June's market drop, returning -9.1% in sterling terms compared with -6.3% for Growth.

All sectors of the MSCI Europe Index registered negative returns during June, although those viewed as typically defensive held up best: health care (-2.3%), consumer staples (-2.5%), and communication services (-4.2%). The more cyclical areas of real estate (-17%), materials (-15%), energy (-11%), IT (-11%) and industrials (-11%) were hardest hit.

The average performance of the portfolio's long book was slightly worse than the index, but overall Fund returns were boosted by a very good performance from the short book, which included a large number of stocks that experienced heavy falls.

In recent months, we have positioned the Fund to reflect the more cautious signals emerging from our market regime indicators. The short book's strong June performance results mostly from broad de-rating or earnings downgrades on the high forecast growth stocks it has targeted, rather than a slew of poor corporate news. The main stock-specific setbacks were a UK online fashion retailer that slashed its 2022 sales growth forecast due to a significant increase in customer return and a UK sports car manufacturer rumoured to be facing a funding crunch;

In the long book, food retailer **Jeronimo Martins** (+8.8%) was the only stock to make a material positive contribution as its defensive characteristics came in demand. Amid resurgent recessionary fears, the long book's detractors included those exposed to cyclical weakness such as **Tethys Oil** (-24%), **Anglo American** (-25%), **Mercedes-Benz Group** (-17%), and **Deutsche Pfandbriefbank** (-17%).

Electrical supplies distributor **Rexel** (-23%) also suffered a heavy fall despite issuing a strategic update which included raised 2022 financial guidance. The company said that a better-than-expected start to the year in all geographies means that it expects 7% to 9% like-for-like sales growth in 2022, up from 4% to 6% previously. Operating profit margins are also expected to be higher at 6.7% rather than 6.0% previously expected. Its new four-year targets through to 2025 are for sales growth of 4% to 7% per annum and a margin of 6.5% to 7.0%.

Discrete years' performance (%), to previous quarter-end:**
Past performance does not predict future returns

	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Liontrust GF European Strategic Equity A4 Acc EUR	31.7%	36.9%	-15.5%	2.5%	3.0%
MSCI Europe	-6.5%	27.9%	-5.5%	4.5%	2.8%
HFRX Equity Hedge EUR	-2.2%	19.0%	-4.5%	-6.3%	3.5%

	Jun-17	Jun-16	Jun-15
Liontrust GF European Strategic Equity A4 Acc EUR	5.26%	2.86%	10.10%
MSCI Europe	17.96%	-10.96%	13.48%
HFRX Equity Hedge EUR	6.02%	-9.40%	1.86%

*Source: Financial Express, as at 30.06.22, total return (income reinvested and net of fees).
**Source: Financial Express, as at 30.06.22, total return (income reinvested and net of fees). Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (25.04.14). Investment decisions should not be based on short-term performance.
A performance fee of 20% is calculated and accrued at each valuation point. Payment is subject to the Fund's net asset value exceeding an Adjusted Prior Net Asset Value which is a High Water Mark adjusted by any new subscriptions or redemptions and a 4% hurdle per calendar year. No Performance Fee will be payable with respect to a Fund class in any Performance Period unless such class has recovered any accumulated underperformance for previous Performance Periods. Any performance fees are only payable on the positive difference between the NAV and the Adjusted Prior Net Asset Value. Details of the Fund's performance fee in the last financial year can be found in the Key Investor Information Document (KIID) which can be obtained free of charge from the Liontrust website.

Key Features of the Liontrust GF European Strategic Equity Fund

Investment objective & policy[1]	The investment objective of the Fund is to achieve a positive absolute return over the long term for investors through a portfolio of long, synthetic long and synthetic short investments primarily in European equities and equity related derivatives. The Fund may invest anywhere in the world but will primarily invest in European companies either directly or via derivatives. The Fund may use financial derivative instruments for investment purposes and for efficient portfolio management (including hedging). The Fund will take both long and short positions in derivatives meaning the gross exposure of the Fund will typically be greater than 100% of the net asset value of the Fund. The Investment Adviser will alter the ratio of long and short exposures in the Fund depending on the Investment Adviser's confidence in the investment process' ability to generate returns from the short positions. Where sufficient short opportunities can be found, the Fund will have an approximately equal weighting in long and short positions. At other times, the Fund will have a net long position i.e. more long positions than short positions held in the Fund. Where investments are held in a currency other than the base currency, the exposure to currency risk may be minimised by hedging. The Fund expects to provide a positive absolute return under all market conditions over the medium to long term. However, there is no guarantee this will be

	achieved over this or any other time period. Income from the Fund's investments is reinvested. The Fund has both Hedged and Unhedged share classes available. The Hedged share classes use forward foreign exchange contracts to protect returns in the base currency of the Fund.
Recommended investment horizon	5 years or more
Risk profile (SRRI)[2]	5
Active/passive investment style	Active
Benchmark	The Fund is considered to be actively managed in reference to MSCI Europe Index and the HFRX Equity Hedge (EUR) Index (the "Benchmarks") by virtue of the fact that it uses the Benchmarks for performance comparison purposes. The Benchmarks are not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the Benchmarks.

Notes: 1. As specified in the KIID of the fund; 2. SRRI = Synthetic Risk and Reward Indicator. Please refer to the KIID for further detail on how this is calculated.

For a comprehensive list of common financial words and terms, see our glossary at:
https://www.liontrust.co.uk/glossary

Key Risks:

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.

The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

Investment in the Fund involves foreign currencies and may be subject to fluctuations in value due to movements in exchange rates. The Fund may invest in emerging markets/soft currencies which may have the effect of increasing volatility.

The Fund may invest in derivatives. The use of derivatives may create leverage or gearing. A relatively small movement in the value of a derivative's underlying investment may have a larger impact, positive or negative, on the value of a fund than if the underlying investment was held instead.

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