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Liontrust GF European Strategic Equity Fund

August 2022 review

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The Fund's A4 share class returned -0.8%* in euro terms in August. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -4.9% and 0.6% respectively.

July's market bounce proved short-lived as the very challenging economic backdrop showed signs of deteriorating further. With energy prices ramping up significantly during the month, inflation concerns made a swift and sharp return to the foreground for investors and prompted another bout of risk-off behaviour.

The eurozone estimate of August consumer price inflation rose to 9.1%, ahead of both last month's reading and expectations, with the lagged effect of energy price rises still to feed through. Governments across the continent have moved to provide varying degrees of support to households and businesses facing the unprecedented rise in energy bills.

Under the expectation of renewed hawkishness in the pace of monetary tightening, futures markets priced in an additional 100 basis points of ECB rate hikes, with a 2023 peak moving from around 1.1% to over 2.2% during the month. The German 10 year bond yield nearly doubled over the month to 1.54%.

In August, shares in which the portfolio has short positions dropped by slightly more than the market while long-book holdings fell by less. This positive stock-selection effect on both sides of the ledger combined with a cautious net market exposure of around 20% to help the Fund provide some capital protection as the market fell nearly 5%.

The long book's modest outperformance was helped by strong returns from German fertiliser manufacturer **K+S** (+14%), one of a minority of companies which have experienced heightened demand as a result of this year's geopolitical turbulence. Prices for its products have soared in the wake of Russia's invasion of Ukraine, which significantly disrupted the market in potash and agricultural commodities. Its Q2 results showed that revenues doubled year-on-year to €1.5bn. The company has previously warned that its financial guidance for 2022 as a whole excluded the negative impact of any potential gas shortages. However, this quarter its outlook includes the assumption of 25% reduction in natural gas availability at its German sites, incurring extra costs in the "low triple-digit" millions. Despite this modelled cost increase, K+S thinks it can still hit its prior 2022 EBITDA targe range of €2.3bn to €2.3bn.

Other areas of strength in the long book included **Bank of Ireland** (+10%), which issued Q2 results containing a prediction of modestly higher net interest income for 2022, and promotional merchandise specialist **4imprint Group** (+16%), which reported a 58% rise in revenue in the first half of the year as customer numbers and order count rose to new highs.

European gas prices rose more than 20% in August, taking their year-to-date surge to around 250% as Russia restricts supplies. As a result, most companies in Europe are facing dual headwinds of rampant input cost inflation and softening consumer confidence. Amid this environment, consumer-facing stocks such as Danish jewellery retailer **Pandora** (-17%) have performed poorly. So far, however, its underlying trading has proven relatively resilient. Although organic revenue growth slowed to 3% year-on-year in Q2, it still amounted to 11% in the first half of 2022, and the company has maintained its full-year guidance of a 4% to 6% growth. **GSK** (-22%) was another large detractor, as litigation fears around its Zantac drug mounted.

The short book's strongest positions included a German supplier of computer components, which saw Q2 new orders weaken due in part to Chinese Covid-19 lockdown measures, and a Norwegian provider of business communication tools that lowered its 2022 growth targets following disappointing trends in the first half of the year. One of the more costly short positions was a US provider of outsourced ecommerce solutions which beat expecations with Q2 results and raised full-year forecasts.

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 31.08.22, 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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