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Liontrust GF European Strategic Equity Fund

September 2022 review

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The Fund's A4 share class returned 2.4%* in euro terms in September. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -6.3% and -2.3% respectively.

In the second hike of its tightening cycle, the European Central Bank opted for a larger move of 75 basis points, taking its deposit rate to 0.75%. ECB President Christine Lagarde commented that there would be several further rate rises as it looks to bring inflation back towards its 2% target. With eurozone CPI still sitting at 9.1% in August, markets are currently pricing in a peak policy rate of 2.5%.

The US Federal Reserve lifted rates by the same margin, taking them to a target range of 3.0% to 3.25%. Coming in the aftermath of a higher-than-expected inflation reading of 8.3%, the decision was accompanied by comments from Fed Chair Jay Powell on the necessity for further hikes and the likelihood of economic slowdown.

Global geopolitical tensions remained extremely elevated, with Putin beginning the process of annexing four regions in south-east Ukraine following referenda which were internationally condemned as illegitimate. This volatile backdrop and the prospect of more aggressive monetary tightening prompted a bout of risk aversion that ensured all sectors of the MSCI Europe index finished the month in negative territory.

Real estate (-17%) fell the most, with its UK constituents not helped by a UK government 'mini-budget' that was seen as damaging to the economy and property sector in particular after the Bank of England suggested the fiscal stimulus would necessitate more rate rises to keep inflation in check. It was later forced to intervene in gilt markets, restarting buying operations after yields rose dramatically, causing a liquidity crisis for many pension funds. Communication services (-11%), utilities (-9.1%), IT (-8.1%) and consumer discretionary (-7.9%) sectors all fell heavily amid broad-based weakness.

The Fund's cautious net market exposure and very good stock selection in the short book allowed it to generate a positive return even as European markets tumbled. The average share price fall for short positions was roughly twice that of the index.

The best performing short position was in a UK cyber-security firm specialising in AI, whose shares tumbled as a prospective private equity buyer walked away from talks. Another large contributor on the short side was a German fintech company which said it was suspending 2022 financial guidance due to soft and uncertain demand outlook for mortgages.

The long book return was reflective of the broad-based weakness seen in European markets. The return profile in September was heavily influenced by top-down factors, with company newsflow taking secondary importance. Cyclical stocks had a particularly tough time, with shipping giant **AP Moller Maersk** (-22%), jeweller **Pandora** (-20%) and promotional merchandise distributor **4imprint Group** (-12%) among the heaviest fallers.

Its better performers included **Caixabank** (+10%) and **Bank of Ireland** (+6.9%), which may have benefited from the outlook for monetary policy. Only last month, Bank of Ireland upgraded its net interest income guidance based on higher benchmark interest rates. **Roche** (+4.4%) also saw some strength on read-across from encouraging results in slowing Alzheimer's from rival firms Eisai and Biogen. Roche is developing its own Alzheimer's drug which follows a similar approach of removing amyloid build-up.

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

	Sep-22	Sep-21	Sep-20	Sep-19	Sep-18
Liontrust GF European Strategic Equity A4 Acc EUR	29.2%	36.8%	-14.9%	3.0%	2.6%
MSCI Europe	-11.0%	28.8%	-7.8%	5.7%	1.5%
HFRX Equity Hedge EUR	-4.0%	16.5%	-2.4%	-3.5%	-1.1%

*Source: Financial Express, as at 30.09.22, total return (income reinvested and net of fees).

**Source: Financial Express, as at 30.09.22, 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	<p>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</p>
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	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 (SRRRI) 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. SRRRI = 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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