



This is a marketing communication

Liontrust GF European Strategic Equity Fund

May 2023 review

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The Fund's A4 share class returned -2.3%* in euro terms in May. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -2.5% and 0.1% respectively.

Investors were unsettled by the impending deadline to extend the US debt limit and avoid default. While this was eventually achieved in a last minute deal in the early days of June, it weighed on sentiment throughout May.

Interest rate expectations in Europe stayed relatively static, with around two more 25 basis point increases expected in addition to May's hike to a 3.25% target deposit rate. The US Federal Reserve raised by the same margin, to a 5.0% - 5.25% range, and – by referring to a pause at this level – teased the prospect of a peak in rates, a prospect which is already fully priced into markets.

This macroeconomic backdrop translated to fairly broad-based equity market weakness in Europe, with real estate (-9.1%), energy (-8.5%) and communication services (-6.7%) the heaviest fallers. A notable bright spot was provided by IT (+8.5%), the only sector of the MSCI Europe Index to record a gain in May, driven higher by AI excitement as investors reacted to a remarkably bullish update from US chipmaker Nvidia.

Nvidia recorded the largest one-day share price gain ever in the US after forecasting \$11bn in sales for the current quarter, around 50% ahead of analyst's expectations. The company cited exponential growth from a number of industries looking to increase computing processing power as they explore AI productivity gains. While Nvidia's semiconductor chips are seen as one of the purest plays on growing AI demand, positive read-across from the update lifted shares across the technology sector.

The Fund marginally outperformed the MSCI Europe Index in May; the long book fell slightly less than market average and while the short book provided some downside protection, its positive contribution was lower than typical of such a negative market environment.

Within the long book, software giant **Microsoft** (+11%) was the biggest beneficiary of technology sector strength, rallying significantly without issuing any earnings updates.

Promotional products retailer **4imprint Group** (+11%) also strengthened after an AGM update described very strong demand seen during the first four months of 2023, with order intake up 22% year-on-year. The company notes that this figure is enhanced by its comparison with an early 2022 period where demand was still suppressed by the pandemic, so it expects the growth rate to moderate. Nevertheless, investors were encouraged by the strength of trading, which 4imprint says is currently on track to meet consensus forecasts for full-year revenue and operating profit.

In the short book, there was a strong contribution from a position in a Swedish video gaming developer. Its shares tumbled as it cut its profits forecast for the year to 31 March 2023 by around 30% after it failed to conclude a partnership deal that it had previously described as transformative.

Short book returns were, however, constrained by a large gain for a Swedish pet products company that received a takeover approach during the month. In the long book, one of the weakest positions was Jewellery retailer **Pandora** (-11%), caught up in the May's market softness despite releasing Q1 results at the start of the month which slightly beat expectations and included a small upgrade to forecasts. Organic sales growth was 1% year-on-year, with gross margin expanding 1.5 percentage points to 77.5%. While it notes a high level of uncertainty

regarding the macroeconomic environment, it slightly upgraded its full year organic growth guidance range from a -3% to +3% range to -2% to 3%.

Discrete years' performance (%), to previous quarter-end:**

Past performance does not predict future returns

| | Mar-23 | Mar-22 | Mar-21 | Mar-20 | Mar-19 |
|---|--------|--------|--------|--------|--------|
| Liontrust GF European Strategic Equity A4 Acc EUR | 7.6% | 28.9% | 28.2% | -13.9% | 4.2% |
| MSCI Europe | 3.8% | 9.3% | 35.3% | -13.5% | 5.5% |
| HFRX Equity Hedge EUR | -4.6% | 7.9% | 22.3% | -11.3% | -7.8% |

| | Mar-18 | Mar-17 | Mar-16 |
|---|--------|--------|--------|
| Liontrust GF European Strategic Equity A4 Acc EUR | 0.3% | 10.7% | -1.1% |
| MSCI Europe | -0.4% | 16.9% | -13.7% |
| HFRX Equity Hedge EUR | 5.8% | 4.0% | -8.2% |

*Source: Financial Express, as at 31.05.23, total return (income reinvested and net of fees).

**Source: Financial Express, as at 31.03.23, 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 (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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