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## Liontrust GF European Strategic Equity Fund

### August 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

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

Global markets fell at the start of the month after the credit rating agency Fitch downgraded the US government's credit rating from AAA to AA+, citing unsustainable debt and increased political dysfunction. Elsewhere, renewed stress in the Chinese property market and underwhelming macroeconomic data out of China triggered an increase in market volatility.

The Bank of England raised interest rates 0.25 percentage points to 5.25 per cent and warned borrowing costs are likely to remain elevated despite slowing inflation. The Bank's governor Andrew Bailey emphasised that interest rates would need to stay at high levels, stating that in order to get inflation back to target, the UK is going to have to keep its current stance on policy.

The Fund's long book exposure averaged over 118% of Fund NAV during the month and its holdings generated an average return of -1.3%, which, while negative, was ahead of the benchmark return. The Fund's short book was also a key contributor over the period, with shares on average dropping by twice as much as the benchmark.

**Novo Nordisk** (+17%), the Danish pharmaceutical group behind top-selling obesity drug *Wegovy*, was the top performer in the Fund's long book over the period after lifting its annual sales forecasts, now expecting sales to grow 27-33% this year and operating profit to climb between 31-37%, exceeding prior expectations. The improved outlook for Novo was driven by higher than expected demand in the US for *Ozempic* – its diabetes drug that some clinicians have been prescribing to patients to tackle obesity as it contains the same active ingredient as *Wegovy*.

Shares in **4imprint Group** (+16%) bounced back from a lacklustre showing in July to rank among the top long book performers in August. The London-based direct marketer of promotional merchandise rose on the release of a trading update in which the company announced that profit before tax for the full year was expected to be materially above the consensus of analysts' forecasts.

Glass packaging manufacturer **Verallia** (+9.4%) continued its momentum following last month's strong first half results release in which the company also included an upgrade to guidance. Around a third of earnings over the period was attributable to Verallia increasing sales prices at a faster pace than production costs. Overall, adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) rose by more than 50% to €659m. The company reiterated its 2023 full-year revenue growth target of over 20% and increased its EBITDA guidance to €1.1bn - €1.25bn, up from €1.0bn previously.

One of the largest positive contributions to the Fund's short book came from an e-commerce company focused on luxury fashion and beauty products after it reported weaker-than-expected revenue for the second quarter and lowered its gross merchandise value and EBITDA margin projections for the full-year.

A short position in a Danish manufacturer of hearing aids and headsets was another highlight as the company cut guidance for its hearing segment.

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

*Past performance does not predict future returns*

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust GF European Strategic Equity A4 Acc EUR	3.1%	31.7%	36.9%	-15.5%	2.5%
MSCI Europe	16.7%	-6.5%	27.9%	-5.5%	4.5%
HFRX Equity Hedge EUR	2.0%	-2.2%	19.0%	-4.5%	-6.3%

	Jun-18	Jun-17	Jun-16	Jun-15
Liontrust GF European Strategic Equity A4 Acc EUR	3.0%	5.3%	2.9%	10.1%
MSCI Europe	2.8%	18.0%	-11.0%	13.5%
HFRX Equity Hedge EUR	3.5%	6.0%	-9.4%	1.9%

\*Source: Financial Express, as at 31.07.23, total return (income reinvested and net of fees).

\*\*Source: Financial Express, as at 30.06.23, 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 <sup>1</sup>	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) <sup>2</sup>	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>

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#### 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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