

# Cashflow Solution

November 2023 review

## Liontrust GF European Strategic Equity Fund



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**The Fund's A4 share class returned 2.6%\* in euro terms in November. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 6.4% and 2.7% respectively.**

Global markets performed strongly in November as investors bet on a 'Goldilocks' scenario whereby cumulative policy tightening brings inflation under control without triggering a recession. Although interest rate cuts are now being priced in, the minutes of the European Central Bank's last meeting suggested it remains vigilant to upside inflation risks Eurozone inflation for November was also lower than expected, giving support to European stocks.

Sector returns for the MSCI Europe Index were largely positive in November with the exception of energy (-2.1%). The real estate (+14%), information technology (+13%) and industrials (+10%) sectors led the way with double-digit returns for the period.

While the Fund's long book performed strongly, returning 7.2% - ahead of the benchmark return, overall Fund returns were restricted by its short book (c.40% NAV). The short book's focus on expensive stocks with high forecast growth was also vulnerable to resurgent investor sentiment pushing these share prices higher. The average short position rallied by significantly more than the wider market, increasing the performance drag from the short book.

Danish jewellery manufacturer and retailer **Pandora** (+15%) had another strong month, building on its impressive performance over the year to date. In its Q3 update, the company noted an acceleration in organic growth to 11%, while upgrading its growth guidance for the full year to +5% to +6%, previously +2% to +5%. Pandora stated that increased investments into the brand, as part of the next phase of its Phoenix strategy, is showing strong signs and driving greater consumer engagement.

Swedish cloud-based accounting software company **Fortnox** (+31%) bounced back strongly in November following a tough October as positive market sentiment drove the performance of a number of our holdings.

French wholesale electrical distributor **Rexel** (+15%), British sports-fashion retail company **JD Sports** (+24%) and Spanish clothing multinational **Inditex** (+16%) were other holdings to perform strongly despite no investor newsflow.

London-based direct marketer of promotional merchandise company **4imprint** (-14%) was among the few detractors for the Fund over the month. While its trading update raised guidance on pretax profit for the year, its shares fell on comments that it has recently seen some weaker demand patterns indicative of a more cautious economic environment.

The Fund's short position in a personal care, beauty, and baby consumer goods company was a notable detractor after it announced a third quarter earnings beat and an uplift in full-year guidance. In addition, the short position in a France-based biotechnology company was a detractor after the company rose sharply following the announcement of investment in the firm by a global biopharma company.

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

	Sep-23	Sep-22	Sep-21	Sep-20	Sep-19
Liontrust GF European Strategic Equity A4 Acc EUR	3.7%	29.2%	36.8%	-14.9%	3.0%
MSCI Europe	19.2%	-11.0%	28.8%	-7.8%	5.7%
HFRX Equity Hedge EUR	2.5%	-4.0%	16.5%	-2.4%	-3.5%

	Sep-18	Sep-17	Sep-16	Sep-15
Liontrust GF European Strategic Equity A4 Acc EUR	2.6%	5.2%	0.7%	14.5%
MSCI Europe	1.5%	16.3%	1.8%	2.6%
HFRX Equity Hedge EUR	-1.1%	5.8%	-1.3%	-3.6%

\*Source: Financial Express, as at 30.11.23, total return (income reinvested and net of fees).

\*\*Source: Financial Express, as at 30.09.23, 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.

For a comprehensive list of common financial words and terms, see our glossary at: <https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms>

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## Key Risks

**Past performance does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.**

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.

As the Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time, i.e. in certain circumstances, the fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the fund to defer or suspend redemptions of its shares. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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.

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