

# Cashflow Solution

January 2024 review

## Liontrust GF European Strategic Equity Fund



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**The Fund's A4 share class returned 5.5%\* in euro terms in January. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 1.6% and 0.6% respectively.**

Stock markets were mixed in January following signals from central banks that interest rate cuts may not arrive as soon as investors were hoping. Within the European market, information technology (+9.7%) and communication services (+3.6%) posted positive returns for the period helped by strong performance from semiconductor stocks, while the healthcare sector (+3.9%) also notched a positive gain. Among the weaker sectors in January were materials (-3.7%), utilities (-2.8%) and energy (-1.9%).

The Fund's long book performed strongly in January, returning 3.4% – ahead of the MSCI benchmark return. Despite the small rise in European markets over the month, the short book was also able to make a positive contribution to returns. The short book averaged 35% of NAV for the month and its shares dropped by over 7% on average, making a performance contribution to the Fund of around 2.9%.

Within the Fund's long portfolio, marketing products manufacturer **4imprint Group** was the top performer over the month, after reporting in a trading update that it expects full-year pre-tax profit to be at least \$140 million, slightly ahead of the higher end of analyst forecasts.

Another strong performer was **ASML**, the Dutch supplier of photolithography systems for the semiconductor industry. The sector has performed strongly recently as interest around artificial intelligence has driven demand for semiconductors and the products to make them. In addition to strong sub-sector performance, ASML reported good Q4 results in January, with order bookings more than tripling in the quarter, rising to €9.19 billion in the fourth quarter (from €2.6 billion).

Danish pharmaceutical company **Novo Nordisk** continued its strong performance after announcing that sales and profit are likely to surge following the success of its anti-obesity drug *Wegovy* and diabetes drug *Ozempic*. The drugmaker announced that full-year operating profit increased by 37% to DKK103 billion, while the company also said it expects sales growth this year of between 18-26%, driven by increased demand in *Wegovy* and *Ozempic*.

Within the Fund's short book, a position in a manufacturer of thermal insulation used in electric vehicles was a positive contributor following the release of an underwhelming 2024 revenue forecast. In addition, our short position in a German online auto wholesaler performed strongly after a broker downgraded the company's full-year EBITDA estimates.

The long book's largest detractors included **JD Sports** (-33%), which fell sharply after it downgraded its profit forecasts for the current financial year following reduced customer spend and more promotional activity than expected impacted gross margins. **Jeronimo Martins** (-8.5%), a Portuguese food distributor and grocery store operator, also fell after its fourth quarter sales raised concerns about a deceleration in Poland – the company's main market.

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

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Liontrust GF European Strategic Equity A4 Acc EUR	1.4%	18.3%	32.9%	-10.0%	23.2%
MSCI Europe	15.8%	-9.5%	25.1%	-3.3%	26.0%
HFRX Equity Hedge EUR	4.7%	-5.2%	11.0%	2.9%	8.5%

	Dec-18	Dec-17	Dec-16	Dec-15
Liontrust GF European Strategic Equity A4 Acc EUR	-7.1%	4.2%	4.8%	6.1%
MSCI Europe	-10.6%	10.2%	2.6%	8.2%
HFRX Equity Hedge EUR	-12.3%	7.8%	-1.7%	-3.1%

\*Source: Financial Express, as at 31.01.24, total return (income reinvested and net of fees).

\*\*Source: Financial Express, as at 31.12.23, 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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