

Cashflow Solution

May 2024 review

Liontrust GF European Strategic Equity Fund



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The Fund's A4 share class returned 1.7%* in euro terms in May. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 3.3% and 1.1% respectively.

Global markets performed strongly in May as investors continued to anticipate interest rate cuts from central banks. Despite economic data showing that eurozone CPI increased to 2.6% in May from 2.4% in April, investors in Europe continue to expect a 25 basis point rate cut when the ECB meets in June. Sector returns for the MSCI Europe Index were largely positive in May with the exception of energy (-1.8%). The financials (+6.3%), industrials (+5.3%), real estate (+5.1%) sectors led the way with strong returns for the period.

While the Fund's long book performed strongly, returning 5.3% – ahead of the MSCI Europe return, overall Fund returns were restricted by its short book (c.35% NAV).

Kongsberg Gruppen (+20%), the Norwegian developer and maker of high-tech aerospace and defence products, was the long book's top performer over the month. Its shares carried momentum throughout the month after Kongsberg reported estimate-topping earnings on the final day of April and received an additional share price boost from a ratings upgrade.

Swiss bank **UBS** (+17%) was also among the top performers in May, returning to profit after two straight quarterly losses, driven by its wealth management and investment banking divisions. The company reported net profit of \$1.8 billion in the first three months of the year, well ahead of analyst estimates. Its wealth management business posted new assets of \$27 billion, with revenues up \$500 million to \$6.1 billion, driven by the Americas, Switzerland and Asia-Pacific markets.

Shares in **Auto Trader** (+17%), the automotive marketplace, rose as the company benefitted from robust demand in the used car market. In the year to March, the company saw revenue increase by 14%, from £500 million to £571 million. Sales rose 12 per cent to £530million, while leasing specialist Autorama saw a 51 per cent increase to £41.2 million.

French carmaker **Renault** (+19%) was another to perform strongly towards the end of the month following two separate ratings upgrades.

Among the Fund's long book detractors was **Adobe** (-5.4%). The software company fell towards the end of the month after a negative read-across from Salesforce's disappointing sales and guidance release.

Among the detractors in the Fund's short book was a US movie theatre chain which received a share price boost following a revival in investor exuberance on social media around the stock. Other short positions to detract from returns were a German used-car dealer which rose after it lifted its gross profit forecasts for the year, and a Norwegian fuel cell company which signed a key agreement with an international partner.

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

	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20
Liontrust GF European Strategic Equity A4 Acc EUR	15.4%	7.6%	28.9%	28.2%	-13.9%
MSCI Europe	14.8%	3.8%	9.3%	35.3%	-13.5%
HFRX Equity Hedge EUR	7.7%	-4.6%	7.9%	22.3%	-11.3%

	Mar-19	Mar-18	Mar-17	Mar-16
Liontrust GF European Strategic Equity A4 Acc EUR	4.2%	0.3%	10.7%	-1.1%
MSCI Europe	5.5%	-0.4%	16.9%	-13.7%
HFRX Equity Hedge EUR	-7.8%	5.8%	4.0%	-8.2%

*Source: Financial Express, as at 31.05.24, total return (income reinvested and net of fees).

**Source: Financial Express, as at 31.03.24, 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>

Key Features of the Liontrust GF European Strategic Equity Companies 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,
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	<p>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.</p> <p>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.</p>
Recommended investment horizon	5 years or more
Risk profile (SRRI) ²	4
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 PRIIP KID of the fund; 2. SRI = Summary Risk Indicator. Please refer to the PRIIP KID for further detail on how this is calculated.

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.

Disclaimer

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