

Cashflow Solution

October 2025 review

Liontrust GF European Strategic Equity Fund



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Key takeaways

- European equity markets experience a broad-based rally, with investor sentiment supported by the US-China trade deal, US rate cut, and ongoing AI investment.
- Broad-based nature of the rally provides a difficult environment for short book, as stocks with poor cash flow characteristics participated in the indiscriminate rally.
- Swedish telecoms group Ericsson and Finnish power equipment supplier Wartsila lead the long book's gainers.

Performance

The Fund's A4 share class returned 0.0%* in euro terms in October. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 2.6% and 0.5% respectively.

Commentary

Equity indices globally climbed to notch new all-time highs in October, aided by an easing of trade tensions between the US and China.

Ahead of a summit in South Korea, Trump had threatened a 100% import tariff on Chinese goods, while China had imposed export controls on rare earths minerals – a key component in the production of a range of goods including smartphones and electric vehicle batteries. The agreement of a one-year trade deal to avoid these restrictions sparked a significant relief rally.

Sentiment was also boosted by an interest rate cut from the US Federal Reserve – the second this year – as well as a number of new corporate commitments to boost AI investment.

This supportive environment allowed most areas of European markets to enjoy a broad-based rally. Utilities (+8.1% in sterling terms), IT (+7.1%) and energy (+6.7%) were the most buoyant sectors in October, with only communication services (-3.1%) recording a negative return.

From a style perspective, both MSCI Europe ex-UK Growth (+3.0%) and MSCI Europe ex-UK Value (+2.9%) participated fairly equally in the market rally.

The indiscriminate nature of the rally provided a difficult environment for the Fund's short book (c.36% of Fund NAV), where losses broadly offset gains in the long book (c.114% NAV).

The short book continues to target companies with over-ambitious growth targets being backed by aggressive cash investments, but a number of these stocks rallied strongly within October's rising market.

Large short book gainers included a US bitcoin miner which exploited AI enthusiasm by announcing plans to divert some activities towards data centre provision and an Italian luxury goods group whose Q3 sales surpassed expectations.

Within the Fund's long book, Swedish telecoms group **Ericsson** (+24%) beat expectations with Q3 results, as profits came in around 10% ahead of consensus following cost-cutting efforts and operational efficiencies. With Ericsson commenting that improved gross margin levels of 48% should be maintained, analysts upgraded earnings forecasts for 2026.

Wartsila (+11%) continued its strong 2025 share price run as it released inline Q3 results. The supplier of power equipment in the marine and energy markets recorded 6% organic growth in order intake to 1.79 billion, while net sales were flat on the same basis at 1.63 billion euros.

A marginal Q3 revenue miss versus consensus expectations saw **Technip Energies** (-12%) shares weaken, giving up a portion of this year's strong gains. The engineering specialist in energy, industrials and chemicals sectors confirmed full-year guidance and commented on a strong outlook with short-term prospects in LNG, decarbonisation and sustainable fuels.

Kongsberg Gruppen (-23%) provides technology to industries including defence, aerospace, marine and energy. Shares in the company slid through October, and a weakening cash flow profile prompted us to sell the position – completing the exit prior to a Q3 profit warning released on the 30th which caused the shares to take another leg lower.

Online marketplace **eBay** (-12%) lost some ground due to underwhelming Q4 guidance. Although gross merchandise volume rose 8% on a constant currency basis, eBay is forecasting this to slow to 4% - 6% in Q4.

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

	Sep-25	Sep-24	Sep-23	Sep-22	Sep-21
Liontrust GF European Strategic Equity A4 Acc EUR	2.9%	14.7%	3.7%	29.2%	36.8%
MSCI Europe	9.3%	18.8%	19.2%	-11.0%	28.8%
HFRX Equity Hedge EUR	6.6%	9.5%	2.5%	-4.0%	16.5%

	Sep-20	Sep-19	Sep-18	Sep-17	Sep-16
Liontrust GF European Strategic Equity A4 Acc EUR	-14.9%	3.0%	2.6%	5.2%	0.7%
MSCI Europe	-7.8%	5.7%	1.5%	16.3%	1.8%
HFRX Equity Hedge EUR	-2.4%	-3.5%	-1.1%	5.8%	-1.3%

*Source: Financial Express, as at 31.10.25, total return (income reinvested and net of fees).

**Source: Financial Express, as at 30.09.25, total return (income reinvested and net of fees). 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.com/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, 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 (SRII) 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.

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