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Global Equities

September 2025

Liontrust GF Global Alpha Long Short Fund

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Key highlights

- MSCI ACWI posted its sixth consecutive month of gains in US dollar terms as investor sentiment was partly driven the Fed's rate cut.
- The US once again led markets, with the S&P and Nasdaq posting their strongest September in 15 years as technology heavyweights once again dominated leadership.
- The long book drove gains, with Seagate Technology, Alphabet and Western Digital among the top contributors; thematically, AI Infrastructure, China and Consumer baskets fared well, offset by Financial Services.

Performance

The Liontrust GF Global Alpha Long Short Fund returned 2.0% in US dollar terms in September, compared with the 0.4% return of the Secured Overnight Financing Rate reference benchmark and the 1.5% return of the HFRX Equity Hedge (USD) Index, also a reference benchmark.

Commentary

Market backdrop

MSCI ACWI posted its sixth consecutive month of gains in September in US dollar terms. Positive investor sentiment was partly driven by a 25bps cut by the Fed which, whilst largely expected, was heavily influenced by weaker US employment data (and not inflation, which remains sticky).

The US once again led markets, with the S&P and Nasdaq posting their strongest September in 15 years as technology once again dominated leadership. Over Q3, the S&P 500 rose 7.4% (US dollar terms) with the Goldman Sachs AI basket up 15.9% and the Bloomberg Mag 7 index up 17.6%. This masked a more lacklustre performance by the rest of the index, demonstrated by the S&P equal weighted index only returning +4.4% in US dollar terms in the same period.

Markets outside the US also continued to do well with the exception of Europe, which took a pause. China, as measured by the KWEB Internet Index, was up 10.5% and Japan rose 8.4% over the month.

Geopolitical risks continued to mount during the quarter as well as concerns over rates of growth, interest rates and debt levels in the US economy. This served to feed the continued flight to safe haven assets like gold, which is up 47% in 2025 to date – its best performance in the last 46 years!

The portfolio's largest contributors to returns came from the long book, including Seagate Technology (+41% in US dollar terms), Alphabet (+14%), Western Digital (+50%), Rolls Royce (+11%) and Coinbase (+11%). Detractors were unsurprisingly mostly in the short book with a US EV carmaker, a Swiss industrial group and a US hardware manufacturer amongst the largest detractors.

Across themes, the AI Infrastructure book continued to perform strongly, helped by the overall reduction in the short exposure early in the month based on T Scores. The China basket also did well, as did our Consumer basket, where the short positions in a UK online grocery retailer and a US salad bar franchise were the key drivers of performance.

On the negative side, the Financials Services basket dragged as our short positions rallied against us in what felt like a short-term trend reversal. Digitalisation and Mobility baskets also performed less well in the month.

Portfolio changes

We added to our China basket on the long side, replacing Sensetime Group with Alibaba and Baidu.

In the Consumer basket, we added to our short positions through a US fast food retailer and a US online ticker exchange and re-seller.

We sold out of Dexcom and Starbucks on the long side; the business strategy implementation was not meeting our expectations, leading to increased risk to our upside price target. Dexcom was in our healthcare basket and was replaced by JD Health, the largest Chinese online healthcare platform by revenue which includes online pharmacy, internet hospital consultations, and health services/ads. With paid user penetration still low, we believe JD Health can expand average revenue per user while lifting returns on capital via asset-light service layers.

AI Infrastructure net exposure rose as we closed three of our short positions based on a change in T scores which proved timely given subsequent strong performance of these names.

Overall, gross and net exposure was little changed over the month, ending at 131% and 39% respectively.

Outlook

The outlook for the rest of 2025 continues to present plenty of opportunities for differentiated and diversified returns in the equity markets. In our view, the path to the best returns will likely continue to lie outside the concentrated Mag7 trade; these stocks now account for 40% of the S&P market capitalisation and this has proved troublesome for active managers bent on finding better alternatives. The evidence of the first nine months of 2025 suggests this is becoming easier.

At the same time, risks are building around the world – both geopolitical and economic. Much of the US data remains weak, yet headline GDP figures are robust. High levels of AI capital investment are having a meaningful impact at the headline level, but this has little effect on the low-end consumer.

Given this backdrop, our base case is that equity markets globally remain little changed in the final quarter of the year but that there will be plenty of ways to enhance returns beyond the index level. Key themes include defence spending in Europe; the catch-up trade in Chinese tech/AI versus the US; Japanese digitalisation; and emerging markets equities on US dollar weakness – all providing diversification from the US.

Within the US, we take the view that the winners of the next 10 years will not be the same as the last decade, with companies that use AI effectively across multiple sectors offering interesting opportunities. Within technology, we remain cautious on the longevity of the AI capex cycle and favour selective names that support the trends in AI rather than the titans that build it.

The path of the US dollar is a critical component of many investment themes today and we expect it to remain weak on the back of government debt levels and a servicing bill that is now close to the 4% of GDP, seen by many as an exit velocity level. Assuming this to be the case, then any equity investments must be viewed through the lens of a weak dollar and this is perhaps the biggest factor in deciding geographic exposures as well as other adjacent ideas like the continued success of investing in stores of value like gold, gold miners, and crypto.

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

	Sep-25	Sep-24	Sep-23	Sep-22	Sep-21
Liontrust GF Global Alpha Long Short B8 Acc USD	16.0%	21.4%	-3.8%	-6.9%	21.7%
FRB of New York Secured Overnight Financial Rate	4.4%	5.3%	4.5%	0.7%	0.0%
HFRX Equity Hedge	8.6%	11.4%	4.9%	-2.3%	17.7%

Source: FE Analytics, as at 30.09.25, total return, net of fees and income reinvested. *The Fund was launched on 24 January 2025 to receive the assets of GAM Star Alpha Technology, which was a sub-fund of GAM Star plc ("the merging fund"), which was very similar to the Fund. Because of the similarities between the merging fund and the Fund, the past performance of GAM Star Alpha Technology C Acc - EUR share class has been used for periods prior to the Fund's launch date.

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. The Fund can invest in derivatives. Derivatives are used to protect against currency, credit or interest rate moves or for investment purposes. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions. The Fund uses derivative instruments that may result in higher cash levels. Outside of normal conditions, the Fund may choose to hold higher levels of cash. Cash may be deposited with several credit counterparties (e.g. international banks) or in short dated bonds. A credit risk arises should one or more of these counterparties be unable to return the deposited cash. The Fund's volatility limits are calculated using the Value at Risk (VaR) methodology. In high interest rate environments the Fund's implied volatility limits may rise resulting in a higher risk indicator score. The higher score does not necessarily mean the Fund is more risky and is potentially a result of overall market conditions. The Fund may invest in emerging markets which carries a higher risk than investment in more developed countries. This may result in higher volatility and larger drops in the value of the fund over the short term. Certain countries, including China, have a higher risk of the imposition of financial and economic sanctions on them which may have a significant economic impact on any company operating, or based, in these countries and their ability to trade as normal. Any such sanctions may cause the value of the investments in the fund to fall significantly and may result in liquidity issues which could prevent the fund from meeting redemptions. The Fund may invest in smaller companies and may invest a small proportion (less than 10%) of the Fund in unlisted securities. There may be liquidity constraints in these securities 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. The Fund may encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings. There is no guarantee that an absolute return will be generated over any time period. The Fund may have 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. ESG Risk: there may be limitations to the availability, completeness or accuracy of ESG information from third-party providers, or inconsistencies in the consideration of ESG factors across different third party data providers, given the evolving nature of ESG. Investors in share classes with a performance fee will pay a variable performance fee amount that is based on the performance of the underlying share class, which is likely to result in different total fees being charged each year and, during periods of outperformance, higher total fees than that of a share class with no performance fee. A performance fee may be payable in case the share class has outperformed its benchmark but had a negative performance. 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.