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Liontrust GF European Strategic Equity Fund

March 2022 review

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The Fund's A4 share class returned 1.9%* in euro terms in March. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 1.8% and 2.4% respectively.

Although the Russian invasion of Ukraine dominated headlines throughout the month, the European equity market was able to rally from its lows on 7th March in order to regain its pre-conflict levels by the end of the month. With little indication that a resolution to the war is close, it is difficult to say what drove this recovery in sentiment. It certainly wasn't due to any easing in the other major factor investors are grappling with: inflation. Supply disruptions and financial sanctions as a result of Russia's invasion will accentuate the inflationary pressures which are already threatening to choke off economic growth.

Key central banks moved to combat this rapidly rising tide of prices by tightening policy during March. Most significantly, the US Federal Reserve not only delivered an expected 25 basis point rate hike but also indicated hikes were probable at each of its policy meetings this year, with some of them likely to involve 50 basis point increases. The Bank of England raised interest rates from 0.5 per cent to 0.75 per cent and the European Central Bank sped up the tapering of its asset purchase programme.

Both the long book and short book made positive contributions to Fund performance, allowing it to slightly outperform the rise in the MSCI Index despite net market exposure of only 28%.

Last month's decision to increase long book exposure to healthcare proved timely with the sector leading the European market during March (+5.4%); **Novo Nordisk** (+11%), **Roche** (+8.1%) and **GlaxoSmithKline** (+5.6%) all ranked among the long book's best performers. Energy stocks were also prominent after the oil price rose by a further 7% in March to \$108 a barrel, having spiked to over \$125 intra-month, driving the energy sector of the MSCI Europe Index up 5.4%. The Fund had exposure via holdings in **Tethys Oil** (+19%), **Lundin Energy** (+17%) and **BW Offshore** (+7.6%).

Fertiliser producer **K+S** (+20%) benefitted from significant potash price rises in 2021, helping it generate 32% growth in revenues to €3.2bn. In its outlook comments, it predicts that favourable market dynamics in 2022 will lead to both price and volume increases. It is aiming to as much as double EBITDA from €969m to a range of €1.6bn to €1.9bn.

The long book's auto stocks **Stellantis** (-9.7%) and **Mercedes-Benz Group** (-9.0%) weakened as the Ukraine war placed further strain on already stretched supply chains. **Royal Unibrew** (-11%) also detracted from performance after it issued 2022 earnings guidance that fell short of expectations. The Danish drinks company referenced high uncertainty in relation to geopolitics, raw material prices and Covid-19 when targeting operating profit growth of DKK1.65bn – DKK 1.80bn, compared with the DKK1.65bn achieved in 2021.

Discrete years' performance (%), to previous quarter-end:
Past performance does not predict future returns**

	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Liontrust GF European Strategic Equity A4 Acc EUR	28.9%	28.2%	-13.9%	4.2%	0.3%
MSCI Europe	9.3%	35.3%	-13.5%	5.5%	-0.4%
HFRX Equity Hedge EUR	7.9%	22.3%	-11.3%	-7.8%	5.8%

	Mar-17	Mar-16
Liontrust GF European Strategic Equity A4 Acc EUR	10.7%	-1.1%
MSCI Europe	16.9%	-13.7%
HFRX Equity Hedge EUR	4.0%	-8.2%

*Source: Financial Express, as at 31.03.22, total return (income reinvested and net of fees).

**Source: Financial Express, as at 31.03.22, 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.

Key Features of the Liontrust GF European Strategic Equity 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 (SRRRI) ²	5
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 KIID of the fund; 2. SRRRI = Synthetic Risk and Reward Indicator. Please refer to the KIID for further detail on how this is calculated.

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

Key Risks:

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.

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.

Investment in the Fund involves foreign currencies and may be subject to fluctuations in value due to movements in exchange rates. The Fund may invest in emerging markets/soft currencies which may have the effect of increasing volatility.

The Fund may invest in derivatives. The use of derivatives may create leverage or gearing. A relatively small movement in the value of a derivative's underlying investment may have a larger impact, positive or negative, on the value of a fund than if the underlying investment was held instead.

A performance fee of 20% is calculated and accrued at each valuation point. Payment is subject to the Fund's net asset value exceeding an Adjusted Prior Net Asset Value which is a High Water Mark adjusted by any new subscriptions or redemptions and a 4% hurdle per calendar year. No Performance Fee will be payable with respect to a Fund class in any Performance Period unless such class has recovered any accumulated underperformance for previous Performance Periods. Any performance fees are only payable on the positive difference between the NAV and the Adjusted Prior Net Asset Value. Details of the Fund's performance fee in the last financial year can be found in the Key Investor Information Document (KIID) which can be obtained free of charge from the Liontrust website.

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