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Liontrust GF European Strategic Equity Fund

May 2022 review

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The Fund's A4 share class returned -1.5%* in euro terms in May. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -0.8% and -0.9% respectively.

Both the US Federal Reserve and the Bank of England enacted further interest rate hikes in May as they sought to bring inflation under control, with consumer inflation for April hitting 8.3% and 9.0% in the US and UK respectively. The eurozone equivalent isn't far behind at 7.5%, putting pressure on the European Central Bank to consider its first rate increase in over a decade. Futures markets are currently pricing in a hike of 30 basis points at the ECB's July meeting.

The EU agreed a plan to block around 90% of Russian oil imports by the end of the year. The prospect of a further supply squeeze in energy markets pushed the Brent crude oil price up 12% to nearly \$123 a barrel. Within European equity markets, energy was by far the strongest sector, rising 11%. Finance (+2.5%) and communications services (+1.6%) were other risers within the MSCI Europe Index, while real estate (-4.6%) consumer staples (-4.1%), health care (-3.2%) and IT (-3.0%) were the weakest.

In the long book, German fertiliser supplier **K+S** (-18%) has been one of the best performers so far this year as prices of potash and other agricultural commodities jumped in the wake of Russia's invasion of Ukraine. These price increases contributed to K+S significantly upgrading its financial guidance in April: the 2022 EBITDA forecast was lifted from a €1.6bn - €1.9bn range to €2.3bn - €2.6bn, ahead of consensus analyst forecasts of €2.2bn. The shares have since rolled over as concerns have mounted over the potential for gas supply constraints if Russian supply to Europe is interrupted, and how this would affect production at K+S. A Q1 update reported a 65% year-on-year increase in revenues to €1.2bn and reiterated the recently issued full-year guidance. However, it noted that this outlook is contingent on unrestricted production through the year, with no allowances made for the production cuts that would result from energy or gas supply disruption.

Weakness in Danish jeweller **Pandora's** (-10%) shares looked to be at odds with the trends reported in a Q1 update. It recorded 21% organic year-on-year growth as it experienced broad-based growth in key markets aside from China, which was a headwind. Despite cost inflation and the potential for consumer demand to be negatively affected by the higher cost of living, Pandora slightly upgraded its full year operating profit growth guidance range from 3%-6% to 4%-6%. It did, however, flag that its financial guidance this year is subject to elevated uncertainty given the volatile market backdrop.

The long book's top performer was **Swedish Match** (+28%). Its shares jumped after it agreed to a SEK106 per share cash offer from Philip Morris. The period for shareholder acceptance of the offer is expected to run from 23rd June to 20th September. The offer was well-timed from the Fund's perspective, Swedish Match having only been added to the portfolio early in the month as we continued to seek out defensive exposure in response to high market valuations, a technical downtrend, low valuation dispersion, and very aggressive levels of corporate investment.

Public sector contractor **Sercos Group** (+16%) also raised 2022 financial guidance on the back of stronger-than-expected trading in the first four months of the year. Revenues had previously been expected to fall from £4.4bn in 2021 to a £4.1bn - \$4.2bn range in 2022. Sercos' work on the UK Test & Trace programme ended in April, meaning the loss of £220m in revenue in the first half of the year relative to the 2021 comparable. However, Sercos now expects to largely replace this revenue with other government work around the world. Its new 2022

revenue guidance is £4.3bn - \$4.4bn, while its underlying trading profit target has been raised from £195m to £225m.

The short book detracted slightly from Fund returns this month, despite the negative move in European markets. Large detractors included positions in a Danish biotech company, whose shares jumped on demand for its monkeypox vaccine, and a Swedish specialist in bone substitutes which received US FDA approval for one of its products.

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 31.05.22, 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.

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.

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
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	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.

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