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## Liontrust GF European Strategic Equity Fund

### April 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

**The Fund's A4 share class returned 6.4%\* in euro terms in April. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -0.6% and -2.0% respectively.**

The April edition of the IMF's World Economic Outlook highlighted the inflationary impact and economic damage from Russia's invasion of Ukraine, trimming its 2022 global economic growth forecast from 4.4% to 3.6%, which compares with the 6.1% expansion in 2021.

China's adherence to a zero-Covid policy through renewed lockdown measures will also exacerbate the strain already being felt in global supply chains, an issue highlighted by Apple's warning in April of a \$4bn to \$8bn Q2 headwind from the disruption.

As ever-higher inflation readings feed through, central bankers reiterated their willingness to take sharper action. US consumer price inflation of 8.5% in March is the highest in four decades, while the UK equivalent sits at a 30-year high of 7.0%. Minutes from the March meeting of the US Federal Reserve's rate-setting committee showed some willingness to push through a 50 basis point interest rate increase, and comments later in the month from Fed Chair Jerome Powell appeared to support the case for 'front-loading' rate rises.

Despite high inflation expectations, the prospect of interest rate rises is pushing bond yields up sufficiently to boost real yields; the US 10 year yield moved back into positive territory during the month.

The sector return profile of the European market shows that investors responded to these developments by shunning cyclicals in favour of defensive areas. Weak returns from IT (-7.5%), real estate (-5.7%), consumer discretionary (-3.5%), industrials (-3.4%) and finance (-3.4%) dragged the MSCI Europe Index lower, while consumer staples (+4.4%) and communication services (+2.3%) were the top performers.

April was another month in which both the Fund's long and short books made positive contributions to Fund performance. With the market dropping, the short book would be expected to be fair well, but the average short book share performance of -8.8% ensured an outsized contribution relative to the 61% short exposure. Similarly, the long book outperformed the market, generating an average return of around 2.9%.

The short book's top contributing positions included: a US-based online care retailer whose shares have tumbled as the cashflow requirements of its expansion plans come under scrutiny; A Swedish supplier of biotech equipment and services, whose CFO and founder unexpectedly resigned; and a Norwegian specialist in video conferencing technology which issued disappointing Q1 results that saw a drop in annual recurring revenues, threatening the delivery of the company's medium-term growth targets.

German fertiliser producer **K+S** was once again among the long book's largest risers. It raised its 2022 EBITDA forecast from a €1.6bn - €1.9bn range to €2.3bn - €2.6bn, ahead of consensus analyst forecasts of €2.2bn. K+S said that average price increases in its agriculture division are set to outweigh energy, logistics and materials cost price increases. US-listed **Reliance Steel & Aluminium** also performed well after reporting a 13% quarter-on-quarter net sales increase to \$4.5bn as shipment volumes exceeded its expectations due to end market strength. It expects to at least match Q1 sales volumes and prices in Q2, resulting in an EPS forecast range of \$9.00 - \$9.10, well ahead of consensus analyst forecasts.

**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 30.04.22, 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 <sup>1</sup>	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) <sup>2</sup>	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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