



This is a marketing communication

Liontrust GF European Strategic Equity Fund

July 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund's A4 share class returned -0.5%* in euro terms in July. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 7.6% and 1.0% respectively.

Although it seems increasingly likely that current supply-side shocks will see many economies flirt with recession in the near future, an equity market bounce in July suggests that much of these economic fears were already priced in.

Eurozone GDP growth hit 0.7% in Q2, much stronger than the 0.1% economist consensus due to a bigger than anticipated boost from tourism. But Eurostat forecasts 2023 growth will fall to 1.2% from 2.7% in 2022, while several economists think the region will enter recession at the turn of the year.

In July, the European Central Bank belatedly joined other central banks in implementing its rate tightening cycle. Ahead of the decision, there had been some speculation over whether the bank would raise rates by 25 basis points (bps) or opt for a 50 basis point hike. It chose the latter, following the US Federal Reserve and Bank of England's lead in pursuing an aggressive pace of increases.

Much of the Fund's strong year-to-date performance has stemmed from an exceptionally strong return from its short book in the first half of 2022. On average, the companies in which the Fund had short positions suffered negative share price returns which were more than twice the market's decline. Much of this reflects a broad de-rating or earnings downgrades on the high forecast growth stocks it has targeted, rather than a slew of poor corporate news.

In July, this year's trends reversed, with cyclical sectors rallying to help markets recoup a portion of their 2022 losses. Consequently, the short book suffered negative returns as the types of stocks that had rewarded the strategy handsomely earlier in the year experienced a bounce.

IT (+16%), industrials (+14%) real estate (+13%) and consumer discretionary (+12%) posted the highest returns in the MSCI Europe Index. Financials (+3.7%) would typically be expected to participate in cyclical strength, but its July performance was hindered by the impact of a new Spanish windfall tax announced during the month. The Spanish prime minister declared a two-year windfall tax on financial institutions and energy firms to raise about €3.5bn a year to help combat the cost-of-living crisis. **Caixabank** (-12%) was the only Fund holding affected.

The Fund's strongest long-book position was promotional merchandise supplier **4imprint Group** (+41%), which jumped on a very positive trading update. It commented that strong trading momentum has continued since its May update, with total order counts at the half year stage 14% ahead of the 2019 pre-pandemic level. Average order values were also 14% higher, meaning that overall revenue is running 30% ahead of the 2019 comparable. 4imprint is confident that it will meet or exceed its \$1bn revenue target for 2022, while it now expects to materially exceed the consensus operating profit forecast, committing to achieving at least \$75m.

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

	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Liontrust GF European Strategic Equity A4 Acc EUR	31.7%	36.9%	-15.5%	2.5%	3.0%
MSCI Europe	-6.5%	27.9%	-5.5%	4.5%	2.8%
HFRX Equity Hedge EUR	-2.2%	19.0%	-4.5%	-6.3%	3.5%

	Jun-17	Jun-16	Jun-15
Liontrust GF European Strategic Equity A4 Acc EUR	5.26%	2.86%	10.10%
MSCI Europe	17.96%	-10.96%	13.48%
HFRX Equity Hedge EUR	6.02%	-9.40%	1.86%

*Source: Financial Express, as at 31.07.22, total return (income reinvested and net of fees).

**Source: Financial Express, as at 30.06.22, 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 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.

Disclaimer

Non-UK individuals: This document is issued by Liontrust International (Luxembourg) S.A., a Luxembourg public limited company (société anonyme) incorporated on 14 October 2019 and authorised by and regulated as an investment firm in Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF") having its registered office at 18, Val Sainte Croix, L-1370 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B.238295. UK individuals: This document is issued by Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business. **This is a marketing communication.** It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. The investment being promoted is for units in a fund, not directly in the underlying assets. It contains information and analysis that is believed to be accurate at the time of publication but is subject to change without notice. Whilst care has been taken in compiling the content of this document, no representation or warranty, express or implied, is made by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified. It should not be copied, forwarded, reproduced, divulged or otherwise distributed in any form whether by way of fax, email, oral or otherwise, in whole or in part without the express and prior written consent of Liontrust. Always research your own investments and if you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances.