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Liontrust GF European Strategic Equity Fund

April 2023 review

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The Fund's A4 share class returned -2.4%* in euro terms in April. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 2.5% and 0.5% respectively.

Investor sentiment recovered swiftly from March's banks-led sell-off, allowing European markets to set aside persistently high inflation and the growing prospect of another US bank failure to register a solid gain for the month. European equities are now in an uptrend as measured by the market regime indicators deployed within the Cashflow Solution process. With aggregate market valuations looking fair in Europe, our current outlook is fairly constructive, albeit tempered by the presence of somewhat concerning levels of aggressive corporate cash flow expenditure.

Style and sector considerations largely took a back seat in April, with European market gains being relatively broad based. Real estate (+7.3%) was the largest riser, bouncing back from its position as March's biggest faller as fears over banking crisis contagion and rising borrowing costs abated. Healthcare (+4.8%), energy (+4.6%) and consumer staples (+4.3%) all participated strongly in a relatively broad based market recovery. Only IT (-4.4%) and materials (-0.3%) lost ground over the month.

With investor risk appetite driving returns more than company fundamentals, the market environment was a tough one for our moderate market exposure and bottom-up, stock-picking style based on cash flow characteristics. We believe the medium-term outlook for the strategy to be attractive, with investment opportunities in both the long book, where we expect value and momentum investment factors to continue to perform well, and the short book, which will target the worst offenders in terms of overoptimistic corporate investment.

In addition to facing a broad rise in market levels, the short book also suffered some specific setbacks as certain stocks rallied particularly strongly, including a UK e-commerce platform that received a takeover approach and a German software group whose Q1 results were very well received .

In the long book, online gaming group **Betsson** (+11%) was among the stronger performers. It revealed first quarter organic sales growth of 38% year-on-year to €222m despite active customers decreasing by 11% to 1.15m. The figure came in ahead of consensus analyst forecasts of €215m. The strong start to the year looks to have continued in to the second quart, with average daily revenue from 31 March to 23 April running 26% higher than a year earlier.

By contrast, French market research group **Ipsos** (-14%) lost ground as it announced a 2.9% year-on-year decline in first quarter revenues to €532m. The company blamed a strong comparable figure in Q1 2022, which was boosted by a post-pandemic rebound in the Americas, and a "cliff-edge" end to large covid pandemic contracts which were still a major revenue stream this time last year. Excluding these factors, Ipsos says that sales grew by 0.6%. In addition to these base effects, the recent quarter was also held back by some clients – particularly major US tech companies – delaying spending decisions due to macroeconomic uncertainty. While business in China has recovered following the end of its zero-covid policy, revenues (+3.9%) are flagging order book growth (+13%). Ipsos remains confident of hitting its full-year targets, noting that its order book is about 50% of its annual sales targets, in line with historical trends.

Q1 results from **Renault** (-11%) beat analyst estimates but were overshadowed by read-across from Tesla's pledge to persist with aggressive price cuts as it looks to boost demand. Renault sold 535,000 vehicles in the quarter, 14% higher year-on-year, pushing group revenue up 30% to €11.5bn when combined with the effect of higher sales prices. The company's order book it's at a record level equivalent to 3.3 months' sales. Around 38% of Renault's European sales are now in electrified cars, leaving it exposed to margin squeeze if a price war develops.

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

Past performance does not predict future returns

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust GF European Strategic Equity A4 Acc EUR	7.6%	28.9%	28.2%	-13.9%	4.2%
MSCI Europe	3.8%	9.3%	35.3%	-13.5%	5.5%
HFRX Equity Hedge EUR	-4.6%	7.9%	22.3%	-11.3%	-7.8%

	Mar-18	Mar-17	Mar-16
Liontrust GF European Strategic Equity A4 Acc EUR	0.3%	10.7%	-1.1%
MSCI Europe	-0.4%	16.9%	-13.7%
HFRX Equity Hedge EUR	5.8%	4.0%	-8.2%

*Source: Financial Express, as at 30.04.23, total return (income reinvested and net of fees).

**Source: Financial Express, as at 31.03.23, 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.

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