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Liontrust GF European Strategic Equity Fund

July 2023 review

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The Fund's A4 share class returned 0.3%* in euro terms in July. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 2.0% and 0.6% respectively.

Global equity markets rallied in July, helped by expectations that a peak in monetary policy may finally be close. The big development in this regard was consumer price inflation data in the US which came in below expectations, raising hopes that this month's 25 basis point rise to a 5.25% - 5.50% range from the US Federal Reserve could be the last of this cycle.

While the Fed had previously paused its rate hike schedule in June and commented that future increases would be data dependent, the European Central Bank was slower to start its tightening cycle and has stayed relatively hawkish in its rhetoric until recently. As widely expected, the ECB raised deposit rates by 0.25% to 3.75% in July, a level not reached since 2001. ECB president Christine Lagarde said that the bank is now keeping an open mind on the future direction of hikes, with the possibility of a hike or a pause in September. Markets are, however, betting that the peak in the European cycle has already been reached.

As sentiment picked up, the real estate sector led the MSCI Europe index's gain, posting an 11% rise, followed by materials (+5.1%), finance (+4.3%) and energy (+3.8%).

In a reversal of the year-to-date trend, technology was weak, losing 0.9%, while utilities (-0.4%) also lost a small amount of ground. So far this year, the technology sector has gained 25% in euro terms, the largest rise in the index.

The long book participated strongly in the European market's rise, but these gains were largely offset by a handful of sizeable setbacks on short book positions where shares rallied significantly. These included a Swedish e-commerce retailer which released well-received quarterly results and a struggling US used-car dealer which announced a restructuring of debt that significantly reduced its short-term interest liabilities.

Long book gains were helped by glass packaging manufacturer **Verallia** (+17%). Its shares moved higher on first-half results showing very strong growth and including an upgrade to guidance. Revenue growth of 31% to €2.1bn was entirely the result of an inflationary environment, as sales volumes declined slightly. Around a third of earnings over the period was attributable to Verallia increasing sales prices at a faster pace than production costs. Overall, adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) rose by more than 50% to €659m. The company reiterated its 2023 full-year revenue growth target of over 20% and increased its EBITDA guidance to €1.1bn - €1.25bn, up from €1.0bn previously.

Gaming group **Betsson** (+13%) moved higher on a quarterly trading update which refined revenue forecasts to €235.5m - €237.5m and lifted operating profit guidance to around €53.5m - €55.0m, representing growth of about 90% year-on-year. The company commented that the quarter has seen high customer activity in both casino and sports betting.

One of the weaker long positions was Ipsos (-9.1%). Although it maintained its 2023 guidance of 5% organic growth and 13% operating margin, shares in the French market research company lost ground after the release of interim results. It recorded -1.1% organic growth in the first half of the year, with an operating margin of 8.7%. Although investors weren't convinced, Ipsos's confidence in full-year forecasts stems from the belief that this year will see a strong second-half weighting to trading. To justify this, Ipsos points towards a larger than normal

lag between order intake and sales. The order book grew by 2.6% in organic terms over the period, and Ipsos expects this to feed through to sales growth in the second half of the year.

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

Past performance does not predict future returns

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust GF European Strategic Equity A4 Acc EUR	3.1%	31.7%	36.9%	-15.5%	2.5%
MSCI Europe	16.7%	-6.5%	27.9%	-5.5%	4.5%
HFRX Equity Hedge EUR	2.0%	-2.2%	19.0%	-4.5%	-6.3%

	Jun-18	Jun-17	Jun-16	Jun-15
Liontrust GF European Strategic Equity A4 Acc EUR	3.0%	5.3%	2.9%	10.1%
MSCI Europe	2.8%	18.0%	-11.0%	13.5%
HFRX Equity Hedge EUR	3.5%	6.0%	-9.4%	1.9%

*Source: Financial Express, as at 31.07.23, total return (income reinvested and net of fees).

**Source: Financial Express, as at 30.06.23, 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 (SRRI) 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. SRRI = 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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