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March 2024 review

Liontrust GF European Strategic Equity Fund

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The Fund's A4 share class returned 1.9%* in euro terms in March. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 3.9% and 1.2% respectively.

European markets participated in the global equity rally in March, as investors became more confident that the central banks' policy tightening efforts have successfully walked the fine line between bringing inflation down and allowing the economy to maintain some momentum.

As widely expected, the US Federal Reserve held interest rates steady for the fifth consecutive meeting, but investor sentiment was boosted by forecasts for cuts later in the year despite mounting evidence of economic resilience. The central bank upgraded its forecast for 2024 US GDP growth from 1.4% to 2.1%. In Europe, we saw the first rate cut in this monetary cycle from a developed world central bank as the Swiss National Bank reduced its benchmark rate from 1.75% to 1.5%.

The overall trend in Q1 was, however, towards an expectation of fewer rate cuts in the remainder of 2024. Looking at the eurozone for example, markets started 2024 expecting between six and seven quarter-point cuts this year but by the end of March price in only three to four cuts. This modest revival of the "higher-for-longer" theme that dominated for periods of 2023 provided a tailwind to the banking sector, which typically earnings larger net interest margins when benchmark rates are higher. In March, the European market rise was led by real estate (+9.4%) and finance (+7.9%), while consumer staples (+1.1%) and IT (+1.1%) were laggards.

Relative to the index, the Fund's participation in March's rally was restricted back by its 85% net market exposure and some negative attribution in the short book as markets experienced broad-based strength, more than offsetting a positive stock selection effect on the long side.

The Fund's long book exposure to banks – overweight versus the MSCI Index – contributed positively to returns as **Banco Santander** (+18%), **Caixabank** (+15%) and **Unicredit** (+14%) all rose.

Banco Santander (+18%) issued an AGM statement that confirmed it is on track for its 2024 financial targets, describing "excellent business and commercial dynamics". Its Q1 income is set to grow 9% year-on-year following the addition of 2 million customers, while costs have been kept flat for the third consecutive quarter.

Among the long-book's detractors, Jeronimo Martins (-17%) was the heaviest faller. The Portuguese food distribution and grocery retailer had already notified the market of a deceleration in sales to 5.1% like-for-like in Q4, down from 12.8% for 2023 as a whole. Some of this resulted from food price deflation through the year, but there is also evidence that profit margins are coming under pressure. Full-year results released in March included forecasts of further food price deflation in 2024 combined with higher operating costs from salaries and rents. In Jeronimo's main market of Poland, consumer price sensitivity is particularly high, which is likely to lead to a competitive environment this year.

Fortnox (-10%), the Swedish provider of internet-based business applications, performed strongly in February after releasing consensus-beating Q4 results. Some of these gains were given back in March as a prominent financial press article raised question marks over the manner in which Fortnox defines its addressable market and the level of transparency of its accounts.

The short book's most costly positions included a Swiss supplier of machinery and systems used in the textiles industry whose 2023 results were better than expected. Although the company has seen falling revenues and shrinking order intake, its profitability improved significantly due partly to lower logistics and production costs.

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

	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20
Liontrust GF European Strategic Equity A4 Acc EUR	15.4%	7.6%	28.9%	28.2%	-13.9%
MSCI Europe	14.8%	3.8%	9.3%	35.3%	-13.5%
HFRX Equity Hedge EUR	7.7%	-4.6%	7.9%	22.3%	-11.3%

	Mar-19	Mar-18	Mar-17	Mar-16
Liontrust GF European Strategic Equity A4 Acc EUR	4.2%	0.3%	10.7%	-1.1%
MSCI Europe	5.5%	-0.4%	16.9%	-13.7%
HFRX Equity Hedge EUR	-7.8%	5.8%	4.0%	-8.2%

*Source: Financial Express, as at 31.03.24, total return (income reinvested and net of fees).

**Source: Financial Express, as at 31.03.24, 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.

For a comprehensive list of common financial words and terms, see our glossary at: https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms

Key Features of the Liontrust GF European Strategic Equity Companies 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]	4
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 PRIIP KID of the fund; 2. SRI = Summary Risk Indicator. Please refer to the PRIIP KID for further detail on how this is calculated.

Key Risks

Past performance does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.

As the Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time, i.e. in certain circumstances, the fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the fund to defer or suspend redemptions of its shares. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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.

Disclaimer

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