

Cashflow Solution

April 2024 review

Liontrust GF European Strategic Equity Fund



James Inglis-Jones

Co-head of Cashflow Solutions Team



Samantha Gleave

Co-head of Cashflow Solutions Team

The Fund's A4 share class returned -2.5%* in euro terms in April. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, both returned -0.9%.

Shares in Europe fell in April as the prospect of interest cuts in the US weakened following higher-than-expected inflation readings. While cuts in the US appear to have been pushed back, economic data in the Eurozone was more encouraging and suggested that the ECB may continue on its plans to cut rates in June. In terms of sector performance, energy (+6.4%) and healthcare (+1.1%) led the way, while information technology (-5.5%), consumer discretionary (-4.6%) and industrials (-1.5%) were a drag on the MSCI Europe Index (in euro terms).

The Fund's long book underperformed versus the benchmark in a tough month for European equities and was a drag on performance which the short book – averaging around 37% of NAV for the month – was only able to offset to a small degree.

Dutch payments firm **Adyen** (-28%) was the biggest detractor in the long book after it missed revenue estimates for Q1. Adyen reported net revenue of €438 million, marking a 21% increase from the previous year and below average expectations. Looking forward, Adyen expects annual revenue growth to persist at a rate between the low and high twenties percentage range through to 2026.

Tenaris (-15%), the manufacturer and supplier of seamless steel pipe products, was also among the poor performers. The company's share price first took a hit mid-month following a ratings downgrade, and then fell further towards the end of the month after announcing a poorly-received earnings update. Tenaris revealed a 17% year-on-year decrease in sales to \$1.4 billion. Despite this decline, the company also reported an increase in EBITDA for the period, reaching \$987 million.

There was better news from Finnish marine and energy company **Wartsila** (+23%), which performed strongly on the release of robust Q1 results. Net sales fell 10% to €1.3 billion, primarily due to the lumpy nature of equipment sales, some of which are now expected to feed through in the second half of the year. However, services sales

grew by 13%, order intake increased by 11% to €1.9 billion, and the company commented that it expects to see an improvement in the demand environment over the next 12 months.

Online gambling company **Betsson** (+14%) was also among the Fund's top performers after reporting encouraging Q1 results. The company commented that, *"the first quarter of 2024 was characterised by a continued positive development with high customer activity, good growth and strengthened profitability"*. This was reflected in revenue for the period was increasing 12% to €248 million, while operating income was up 35% to €58 million.

Within the Fund's short book, a position in spaceflight company was a positive contributor, with its share price slide prompting it to consider a stock consolidation in order to boost its share price back above the minimum level required by its stock exchange. In addition, a boat dealer was also among the profitable short positions after it cut its 2024 adjusted EPS target.

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>

Investment objective & policy ¹	<p>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.</p> <p>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.</p>
Recommended investment horizon	5 years or more
Risk profile (SRRI) ²	4
Active/passive investment style	Active
Benchmark	<p>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.</p>

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.

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