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Liontrust GF European Strategic Equity Fund

December 2022 review

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The Fund's A4 share class returned -0.1%* in euro terms in December. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -3.5% and -0.3% respectively.

The primary financial markets narrative of 2022 remained intact in December, with the US Federal Reserve, Bank of England and European Central Bank all opting to raise interest rates by 50 basis points to combat inflationary forces.

Although in all three instances the margin of tightening has come down from 75 basis points at the prior policy meetings, the accompanying rhetoric remained hawkish. The ECB in particular made a point of warning against the expectation of an imminent pivot in rates, commenting that it expects "to raise interest rates at a 50 basis-point pace for a period of time".

The Fund's cautious net market exposure protected it from much of December's weakness in European markets, while a positive stock selection effect in both the long and short books allowed it to achieve close to a flat return for the month.

The MSCI Europe Index's best performing sector was financials (+1.5%), and this was one of the Fund's strongest areas of attribution in December, with long book positions in **Bank of Ireland** (+14%) and **Caixabank** (+3.1%) performing well. Bank of Ireland issued a short statement lifting guidance for 2022 growth in net interest income from 6% - 7% to 10%. A short position in a German online broker also made a positive contribution as the company downgraded 2022 revenue guidance by about 10% due to the normal seasonal increase in retail trading activity failing to materialise at the end of the year.

Elsewhere among the long book's top contributors, pharmaceuticals group **Indivior** (+6.5%) raised guidance at an investor presentation, stating that it now expects to achieve double-digit annual percentage growth in revenues in the medium-term. The growth is expected to be driven by its *Sublocade* treatment, which it now forecasts to hit a net revenue run rate of \$1bn by the end of 2025 and grow to a peak of around \$1.5bn.

Other short book highlights include a position in a US operator of an on-demand marketplace for industrial parts which suffered a broker downgrade and a German manufacturer of pharmaceutical equipment which saw an institutional shareholder sell a large stake.

The Fund's poorer long book performers included **K+S** (-12%), which continues to slide back from its exceptional share price run at the start of 2022 when the Ukraine war disrupted the fertiliser market. **Serco Group** (-12%) also slid early in the month, but a mid-month trading update reassured on 2022 trading. Revenue is expected to be £4.5bn (up from prior guidance of £4.3bn - £4.4bn), with growth in other areas compensating for the loss of £480m in Covid-related revenues. Underlying trading profit is forecast to be £235m, up £5m on its former guidance. The public service contractor also indicated that 2023 underlying trading profit is expected to again be around £235m, in line with market consensus expectations.

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

	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
Liontrust GF European Strategic Equity A4 Acc EUR	18.3%	32.9%	-10.0%	23.2%	-7.1%
MSCI Europe	-9.5%	25.1%	-3.3%	26.0%	-10.6%
HFRX Equity Hedge EUR	-5.2%	11.0%	2.9%	8.5%	-12.3%

*Source: Financial Express, as at 31.12.22, total return (income reinvested and net of fees).

**Source: Financial Express, as at 31.12.22, 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	<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. 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</p>
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	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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