LIONTRUST

THE SUSTAINABLE FUTURE PROCESS

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Liontrust GF SF Pan-European Growth Fund: Q1 2023

Fund managers: Martyn Jones and Peter Michaelis

The Fund delivered a return of 3.0% over the period in euro terms, versus the MSCI Europe Index's 8.6% return (which is the comparator benchmark)*.

Global equities started 2023 on a strong footing as signs of easing inflation in most major economies and China's re-opening supported positive market sentiment. However, sentiment turned in February as resilient economic data suggested that any pause in interest rate rises may still be some way off, with the Federal Reserve, European Central Bank and Bank of England all continuing with rate rises. The collapse of Silicon Valley Bank (SVB) in March led to a major sell-off in the US and European financial sectors, though this market turbulence was short-lived and did not prevent investor optimism leading global equities higher towards the end of the quarter.

As we have stated previously, we do not attempt to forecast or anticipate the moves in macroeconomics that we have experienced in the two years. Our focus is resolutely on our 20 sustainability themes that over the long-term should provide strong and stable growth, relatively independent of economic cycles, and on finding those rare companies that harness this positive growth and which generate persistently high returns on capital. In more muted economic years ahead, we expect the strength of our sustainable themes and the quality of the businesses we invest in will allow for strong performance.

Looking at our top performers over Q1, Spotify led the way during a period in which a number of our holdings released trading updates. The audio-streaming platform released a strong Q4 update, reporting fourth quarter subscriber growth and gross margin improvement that was ahead of average consensus. Paid subscribers grew 14% year-on-year to 205 million, with the company stating that this was 3 million ahead of consensus. Looking forward, Spotify said that is sees premium subscribers increasing to 207 million in the first quarter and that monthly active users are expected to grow by 11 million to 500 million.

3i Group was also among the notable contributors after posting a positive Q3 performance update. The private equity company, exposed to our *Increasing financial resilience* theme, invests predominantly in retail, infrastructure, healthcare, technology and industrial companies, announced a 26.8% total return for the nine months to 31 December 2022. Discount retailer Action was again one of the company's top performing holdings, more than doubling its EBITDA over the three years since the start of the Covid-19 pandemic. In addition, the company also noted strong performance from AES, following high demand in the global seal market, and from Royal Sanders, which continued to generate strong sales from existing customers.

Semiconductor firm ASML was another notable performer as strong sub-sector performance combined with a robust earnings release to push the company's share price higher. ASML remains at the forefront of improving semiconductor fabrication through extreme ultraviolet (EUV) development and holistic lithography. Smaller process nodes means more chips per wafer in manufacture and smaller, cheaper, more reliable, more energy efficient and more powerful end products. The company reported net sales in the fourth quarter of €6.4 billion, which was around the midpoint of the company's guidance, while gross margin exceeded previous guidance due to additional upgrades and an insurance settlement from last year.

Another top-performing stock in the semiconductor space was Infineon Technologies after the company raised its sales and earnings forecast following stronger-than-expected demand in its core automotive and industrial sectors. The company now sees second-quarter revenue at more than €4 billion, up from an earlier forecast of €3.9 billion. Infineon also expects full-year sales to also be above its previous estimate of approximately €15.5 billion.

Exposed to our *Improving the efficiency of energy use* theme, Infineon produces efficient power management chips, which are used across the economy in electronics, particularly in computing and mobiles as well as autos and industrial automation. It is the largest player in power semiconductors, which are key for electrification, so it is well positioned here.

Among the detractors for the quarter was healthcare company Qiagen, which is held under our *Enabling innovation in healthcare* theme*.* In healthcare, companies such as Qiagen initially benefitted from supplying Covid-19 solutions but are now out of favour with the market as these one-off windfalls diminish. We take a longer-term view of these businesses and see strong fundamentals with respect to returns of capital, balance sheet stability with long runways of growth ahead.

Additionally, our technology businesses help to improve productivity and security, but they too are out of vogue with the market despite continued operational and financial execution. Companies such as Nagarro, which is exposed to our *Improving the resource efficiency of industrial and agricultural processes* theme, offers high growth and excellent returns on capital at cheaper valuations than we've seen in the past five years.

Netcompany was another holding that detracted from returns over the quarter. Held under our *Improving the resource efficiency of industrial and agricultural processes* theme, shares in the Danish IT consultancy fell sharply as EBITDA (earnings before interest, taxes, depreciation, and amortization) guidance for 2023 missed expectations.

Following the collapse of US financial firm Silicon Valley Bank in March, Svenska Handelsbanken was among the detractors as fears about contagion risks for the broader banking sector sparked a major sell-off in the financials sector.

It is important to remember that banks in 2023 are very different to those in 2008 – they are better capitalised, better regulated and tend to have more diversified sources of funding. The market turbulence following the SVB collapse serves as an important reminder of how vital it is to invest in companies with strong balance sheets and good business models; and also to have good diversification across portfolios. Both are key features of the Sustainable Future approach.

In terms of portfolio activity, a new position in the Fund under our *Improving the resource efficiency of industrial and agricultural processes* theme is AutoStore, the market leader in "cubic" automated storage and retrieval systems (AS/RS) for warehouses. Over the past 25 years AutoStore has developed compact design to store and retrieve products in warehouses in a simple Rubik's cube design. The system uses autonomous robots moving on top of an aluminium grid to store and retrieve bins and deliver products to port stations for packing and transport.

Compared to a manual warehouse, the AutoStore system can save up to 75% of space by removing all the space between storage boxes and packing the items densely together. This helps to reduce the cost of rent and energy costs in terms of heating/cooling and lighting (as the robots don't require heat or light).

Key Features of the Liontrust GF SF Pan-European Growth Fund

INVESTMENT OBJECTIVE & POLICY[1]:	The Fund aims to achieve capital growth over the long term (five years or more) through investment in sustainable securities, mainly consisting of European equities. The Fund is biased towards companies that provide or produce more sustainable products and services as well as having a more progressive approach to the management of environmental, social and governance issues. The Fund will seek to achieve its objective through exposure mainly to equities of companies incorporated in any European Economic Area Member State, the UK and Switzerland, although it can invest globally. In normal conditions the Fund invests at least 75% of its Net Asset Value in European equities. In addition, the Fund may invest in debt securities for liquidity and cash management purposes. Any investment in bonds will be in corporate and government fixed or floating rate instruments which may be rated or unrated up to 25% of the net assets of the Fund. The Fund may also invest in exchange traded funds and other open-ended collective investment schemes. The Fund is not expected to have any exposure to derivatives (contracts whose value is linked to the expected future price movements of an underlying asset) in normal circumstances but may on occasion use them for investment, efficient portfolio management and for hedging purposes. The use of derivatives should not lead to a significant change in the risk profile of the Fund.
RECOMMENDED INVESTMENT HORIZON:	5 years or more
SRRI[2]:	6
ACTIVE / PASSIVE INVESTMENT STYLE:	Active
BENCHMARK:	The Fund is considered to be actively managed in reference to the MSCI Europe Index (the "Benchmark") by virtue of the fact that it uses the benchmark(s) for performance comparison purposes. The benchmark(s) 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 benchmark.
SUSTAINABILITY PROFILE	The Fund is a financial product subject to Article 9 of the Sustainable Finance Disclosure Regulation (SFDR).

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.

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 SF Pan-European Growth Fund A1 Acc	-29.0%	20.4%	13.5%	32.4%	-17.0%
MSCI Europe	-9.5%	25.1%	-3.3%	26.0%	-10.6%

	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13
Liontrust GF SF Pan-European Growth Fund A1 Acc	13.6%	-4.5%	17.0%	4.9%	25.8%
MSCI Europe	10.2%	2.6%	8.2%	6.8%	19.8%

*Source: FE Analytics, as at 31.12.22, primary share class, in euro terms, total return, net of fees and income reinvested.

Key Risks and disclaimer

†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. Non-UK individuals: This document is issued by Liontrust International (Luxembourg) S.A., a Luxembourg public limited company (société anonyme) incorporated on 14 October 2019 and authorised by and regulated as an investment firm in Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF") having its registered office at 18, Val Sainte Croix, L-1370 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B.238295. UK individuals: This document is issued by Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business. **This is a marketing communication**. This document should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. It contains information and analysis that is believed to be accurate at the time of publication, but is subject to change without notice. While care has been taken in compiling the content of this document, no representation or warranty, express or implied, is made by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified. It should not be copied, forwarded, reproduced, divulged or otherwise distributed in any form whether by way of fax, email, oral or otherwise, in whole or in part without the express and prior written consent of Liontrust. Always research your own investments and if you are not a professional investor, please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances. [23/256]