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## Liontrust GF European Strategic Equity Fund

### March 2023 review

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**The Fund's A4 share class returned -0.9%\* in euro terms in March. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -0.1% and -0.4% respectively.**

The MSCI Europe Index aggregate return hides a large divergence in fortunes between sectors. While areas such as IT (+6.2%), healthcare (+4.5%) and utilities (+4.1%) fared well, there were large losses for real estate (-15%), finance (-8.7%) and energy (-7.3%). The index return also obscures the concentration of weakness in small caps, where losses amounted to 4.1% while large caps held on to a 0.4% gain.

The catalyst for financial sector losses was the collapse of Silicon Valley Bank in the US, an event which sparked some contagion as investors worried over the impact of deposit flight for banks sitting on unrealised bond portfolio losses following two years of rising yields. Credit Suisse was the highest profile casualty in Europe, forced to be subsumed by UBS as its value tumbled, but heavy losses were experienced across the sector.

The European Central Bank, Bank of England and US Federal Reserve all pushed ahead with expected interest rate hikes. After a 25 basis point increase, investors were betting the Fed's new range of 4.75% - 5.0% would mark the top of the current rate cycle – a significant reduction from the start of the month when strong economic data had helped push expectations of peak rates to above 5.5%.

While the Fund's short book performed well in March, with share price returns significantly below those of the index, the long book suffered from its relatively high weighting in financials and banks in particular. Heavy losses were suffered by **Bank of Ireland** (-11%), **BNP Paribas** (-17%), **UniCredit** (-10%), **Caixabank** (-12%) and **Banco Santander** (-8.0%).

In better news, **4imprint Group** (+7.4%) was once again among the long book's top performers. Shares in the promotional merchandise group have been in an uptrend since last summer when it reported on very strong trading. A 2022 set of results laid out the extent of growth: a 45% increase in revenues to £1.1bn with a trebling of operating profit to £103m as it acquired over 300,000 new customers. The company also commented that trading in the first few weeks of 2023 has been encouraging.

As primarily a retailer of consumer staples, **Jeronimo Martins** (+11%) benefitted from its defensive characteristics during a turbulent month. The Portuguese owner of supermarkets, cash-and-carry and beauty stores in Poland, Colombia and its domestic market released 2022 results showing 22% sales growth to €25bn. Cost inflation eroded its profit margins by 30 basis points, but it still recorded good EBITDA (earnings before interest, tax, depreciation and amortisation) growth of 17% to €1.9bn. The shares also benefited from a bullish sell-side broker upgrade to an outperform rating with price target upside of nearly 20% .

**Novo Nordisk** (+9.7%) was another relative safe haven for equity investors in March. Shares in the Danish pharmaceutical group have shown a lot of relative strength over the last year. Last month, the UK's National Institute for Health and Care Excellence recommended Novo Nordisk's *Wegovy* drug as a weight loss treatment.

The short book's top performer was a provider of AI-enabled, on-demand manufacturing whose shares halved after 2022 results showed a widening of losses despite revenue growth.

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

**Past performance does not predict future returns**

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust GF European Strategic Equity A4 Acc EUR	7.6%	28.9%	28.2%	-13.9%	4.2%
MSCI Europe	3.8%	9.3%	35.3%	-13.5%	5.5%
HFRX Equity Hedge EUR	-4.6%	7.9%	22.3%	-11.3%	-7.8%

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

\*Source: Financial Express, as at 31.03.23, total return (income reinvested and net of fees).

\*\*Source: Financial Express, as at 31.03.23, 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 <sup>1</sup>	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 (SRRRI) <sup>2</sup>	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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