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Liontrust GF European Strategic Equity Fund

June 2023 review

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The Fund's A4 share class returned 5.9%* in euro terms in June. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned 2.4% and 1.0% respectively.

The European Central Bank lifted its benchmark deposit rate by 25 basis points to 3.5% in a move that was widely expected. The bank's president Christine Lagarde commented that a further hike in July is very likely due to the outlook for eurozone inflation to remain "too high for too long". At the start of the month, financial markets had been pricing in June's increase as well as a strong possibility of a further hike to 3.75% later this year. By the end of the month, futures markets had moved to fully price this in as well as the likelihood of one additional increase to 4.0%

The Bank of England also increased rates by the same margin, and, while the US Federal Reserve chose to pause its tightening cycle, it also made clear that further increases should be expected. With rate expectations once again on the rise, the MSCI Europe Value Index outperformed the MSCI Europe Growth Index by 1.6 percentage points in June.

This trend provided a tailwind to the Fund's long book which continues to carry a tilt towards value factors, albeit with less of a bias against growth stocks than for the majority of the last three years. Value still looks cheap relative to history, so we have retained the portfolio's focus in this area, but this position is now much less of a relative bet against growth-style stocks and we are now approaching a neutral stance on growth. The Cashflow Solution process secondary scores we are currently targeting are momentum and recovering value.

The long book exposure averaged over 110% of Fund NAV during the month and its holdings generated an average return of 6.0%, providing very good Fund participation in the market rally. While a broad range of short positions made negative contributions to Fund performance as European markets rose, they generally underperformed the rally, thereby reducing the short book drag on performance.

Within the MSCI Europe index, consumer discretionary was the strongest sector, rising 5.7%, followed by finance (+4.1%), energy (+3.8%), and industrials (+3.2%). Communications services (-1.5%) and health care (-0.8%) were the only sectors to lose ground in euro terms.

Within the Fund's financial sector holdings, **Unicredit** (+19%) performed well after reassuring comments from its chief financial officer regarding stable defaults and better-than-expected cost of funding led to some earnings upgrades from analysts.

Following better than expected trading in the first half of 2023, French carmaker **Renault** (+23%) upgraded its 2023 financial targets. It upped its group operating margin forecast from 6% to 7% - 8% with operational free cash flow guidance increased from €2.0bn to over €2.5bn

At the end of April, **Fortnox** (-10%) issued Q1 results which showed rapid organic sales growth of 32% and better-than-expected operating profit after margins rose to 38%. Although this initially propelled the shares higher as analysts upgraded their forecasts, their valuation has come under scrutiny in May and June, leading some investors to take profits. Fortnox is a Swedish provider of cloud-based business applications including accounting tools. Despite the apparent high valuation, our investment process identified significant value in the shares due to its high cash return on assets score, and the position was added to the portfolio during this year's portfolio restructuring.

The only short book position to make a material positive contribution to the Fund was a Swedish video streaming service that downgraded its 2023 financial guidance, abandoned 2025 targets and replaced its CEO.

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

	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19
Liontrust GF European Strategic Equity A4 Acc EUR	3.1%	31.7%	36.9%	-15.5%	2.5%
MSCI Europe	16.7%	-6.5%	27.9%	-5.5%	4.5%
HFRX Equity Hedge EUR	2.0%	-2.2%	19.0%	-4.5%	-6.3%

	Jun-18	Jun-17	Jun-16	Jun-15
Liontrust GF European Strategic Equity A4 Acc EUR	3.0%	5.3%	2.9%	10.1%
MSCI Europe	2.8%	18.0%	-11.0%	13.5%
HFRX Equity Hedge EUR	3.5%	6.0%	-9.4%	1.9%

*Source: Financial Express, as at 30.06.23, total return (income reinvested and net of fees).

**Source: Financial Express, as at 30.06.23, 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 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 (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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