



## Liontrust European Dynamic Fund

### November 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

**The Fund returned 7.3%\* in sterling terms in November. The MSCI Europe ex-UK index comparator benchmark returned 7.8% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 7.3%.**

Although Fed Chair Jay Powell warned that US rates could peak at a higher level than previously expected, markets staged a strong recovery which was partially fuelled by expectations of a slower pace of tightening. While the US Federal Reserve raised rates by 75 basis points in November, minutes showed that future hikes may come in smaller increments and with greater gaps as the central bank observes whether its approach is having the desired impact on inflation.

Hopes of less aggressive monetary policy were spurred on by the release of a lower-than-expected consumer price inflation data for October; the year-on-year rate of 7.7% was below the 7.9% expected.

The Bank of England also raised rates by 75 basis points in November, while the European Central Bank hiked by the same amount at the end of October.

As equity markets recovered strongly, there was a moderate cyclical tilt to sector returns in Europe. Consumer discretionary (+15%) led the market rally, followed by IT (+11%), energy (+8.4%) and finance (+8.0%). All sectors were in positive territory in sterling terms, but health care (+2.6%) and communications services (+2.8%) registered the smallest gains.

Within a buoyant consumer space, the portfolio's biggest gainer was **Pandora** (+34%). It announced organic growth of 3% in Q3 which was ahead of analyst expectations, while gross margin rose 1.2 percentage points compared with the same period a year earlier. The jeweller has maintained its 2022 guidance of 4% - 6% organic growth and an operating profit margin of 25.0% to 25.5%. It also commented that trading so far in Q4 has been in line with the upper end of the guidance range.

A number of other Fund holdings also updated on Q3 trading.

**Bekaert** (+21%) grew revenues by 22% to €4.3bn in the first nine months of 2022 and expects to hit €5.7bn by year-end. However, some of this is zero-margin pass through of the cost inflation it is experiencing at the moment, meaning that profit margins will be diluted by around 150 basis points. Nevertheless the steel wire transformation and coating specialist is forecasting operating profit of between €450m and €460m, prompting some upgrades to analyst forecasts.

**Tethys Oil** (-10%) Q3 operating profit more than doubled year-on-year to \$16.9m after its achieved oil price rose to \$107 a barrel. But some of its production sites underperformed expectations, leading it to slightly downgrade its full-year production target from 10,200 to 10,000 barrels per day.

German fertiliser manufacturer **K+S** (-5.5%) has performed very strongly this year as prices of potash and other agricultural commodities jumped in the wake of Russia's invasion of Ukraine. These price increases contributed to K+S significantly upgrading its financial guidance in April: the 2022 EBITDA forecast was lifted from a €1.6bn - €1.9bn range to €2.3bn - €2.6bn. However, November's Q3 EBITDA of €633m was below the level expected by analysts while K+S's updated full-year forecast of €2.4bn disappointed relative to consensus forecasts which had been closer to the top of its prior €2.3bn to €2.6bn range

Away from quarterly earnings news, **Roche** (-6.0%) announced that its *gantenerumab* drug did not perform as hoped in treating people with Alzheimer's disease. The news was particularly disappointing in the light of very encouraging data released in the same month for Biogen and Eisai's *lecanemab* Alzheimer's drug. Both drugs work by targeting beta amyloid protein accumulations in the brain but the level of removal achieved by *gantenerumab* was lower than expected.

**Positive contributors to performance included:**

Pandora (+34%), Boliden (+21%) and Bekaert (+21%).

**Negative contributors to performance included:**

Tethys Oil (-10%), Roche (-6.0%) and K+S (-5.5%).

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

***Past performance does not predict future returns***

	Sep-22	Sep-21	Sep-20	Sep-19	Sep-18
Liontrust European Dynamic I Inc	-8.7%	42.8%	3.5%	-3.0%	6.8%
MSCI Europe ex UK	-12.8%	20.9%	-0.5%	5.8%	1.3%
IA Europe Excluding UK	-16.1%	22.4%	3.1%	2.2%	1.9%
Quartile	1	1	2	4	1

\*Source: Financial Express, as at 30.11.22, total return (net of fees and income reinvested), bid-to-bid, institutional class. Non fund-related return data sourced from Bloomberg.

\*\*Source: Financial Express, as at 30.09.22, total return (net of fees and income reinvested), bid-to-bid, primary class.

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 holds a concentrated portfolio of stocks, if the price of one of these stocks should move significantly, this may have a notable effect on the value of the portfolio.

**Disclaimer**

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.** It 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. The investment being promoted is for units in a fund, not directly in the underlying assets. It contains information and analysis that is believed to be accurate at the time of publication but is subject to change without notice. Whilst 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.

[22/924]