



Liontrust European Dynamic Fund

January 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund returned 4.8%* in sterling terms in January. The MSCI Europe ex-UK index comparator benchmark returned 6.8% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 5.9%.

Global equity markets rallied at the start of 2023 on renewed hopes of a slowing or pivot in monetary policy tightening, although central bankers remained hawkish in their comments. ECB president Christine Lagarde, for example, stated that the bank would “stay the course” with further rate rises until inflation was back towards its 2% target.

The World Bank’s latest Global Economic Prospects publication forecast 1.7% growth, down from its prediction of 3.0% six months earlier, with a broad-based downturn pushing the global economy close to recession. The IMF’s assessment was, however, more upbeat – predicting 3.2% growth in 2023, up from its 2.7% forecast in October. It cited China’s abandonment of its zero Covid policy as one reason for more optimism regarding this year’s growth prospects.

There was a distinct cyclical pattern to the European market’s sector returns in January, with consumer discretionary (+15%), IT (+14%), real estate (+13%) and finance (+9.1%) all rising in sterling terms. Healthcare (+0.5%), utilities (+2.3%) and consumer staples (+3.5%) lagged, while the energy (-2.0%) sector registering a negative return.

The Fund’s top risers also had a cyclical theme; Jeweller **Pandora** (+15%), automobile manufacturer **Mercedes-Benz Group** (+11%) and a number of banks including **BNP Paribas** (+17%), **Société Générale** (+16%) and **Deutsche Pfandbriefbank** (+14%) were among the top contributors.

Improved risk appetite is also likely to have driven shares in **ASML** (+19%) higher, despite the lithography machine manufacturer looking likely to have exports to China restricted. The US has been putting pressure on the Netherlands to restrict ASML’s sales to China of extreme ultraviolet lithography machine’s that produce the most powerful semiconductors. In January, ASML also released Q4 results showing an 11% quarter-on-quarter net sales increase to €6.43bn, with the order backlog rising to a record €40.4bn.

Deutsche Lufthansa (+24%) was another to move ahead on hopes for an improving economic outlook. During the month it also announced its intention to acquire a stake in Italian national carrier ITA Airways, with a view to a full takeover.

K+S (+19%) also rose after a bullish broker note cited its CEO as commenting positively on the outlook for potash demand in 2023.

The Fund’s detractors included a few in the weak energy sector – **Equinor** (-15%), **Aker BP** (-3.9%) and **TotalEnergies** (-2.6%) – as well as some pharma stocks such as Roche (-3.4%), which suffered from defensive characteristics in a buoyant market. French pharmaceutical **Ipsen** (-4.6%) also announced an agreed deal to acquire Nasdaq-listed Albireo for \$42 per share plus \$10 per share contingent on US FDA approval of its Bylvay treatment. Albireo is a developer of bile-acid modulators to treat paediatric and adult cholestatic liver diseases. While the \$950m deal saw Albireo shares almost double, Ipsen gave up some ground on the news.

Positive contributors to performance included:

Deutsche Lufthansa (+24%), ASML (+19%) and K+S (+19%).

Negative contributors to performance included:

Equinor (-15%), AP Moller-Maersk (-5.7%) and Ipsen (-4.6%).

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 European Dynamic I Inc	0.7%	24.0%	20.1%	24.6%	-12.8%
MSCI Europe ex UK	-7.6%	16.7%	7.5%	20.0%	-9.9%

*Source: Financial Express, as at 31.12.22, 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 31.12.22, 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.

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[23/107]