



## Liontrust European Dynamic Fund

### February 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

**The Fund returned 4.5%\* in sterling terms in February. The MSCI Europe ex-UK index comparator benchmark returned 0.8% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 2.1%.**

At the start of the month, the European Central Bank (ECB) confirmed expectations of a 50 basis point interest rate rise, taking the key rate to 2.5%. Following the rise, ECB president Christine Lagarde re-confirmed the Bank's intention to "stay the course in increasing interest rates significantly, at a steady pace", Lagarde continued with unusually firm language, explicitly stating its intention to hike rates by another 50 basis points in March.

In terms of sector returns for the period, the European market was led by energy (+5.3%) communication services (+4.7%), financials (+3.3%) and industrials (+3.2%) in sterling terms. Materials (-3.4%), Real estate (-2.4%) and IT (-0.8%) were among the laggards.

During a busy earnings period, the Fund's top performer was French advertising and public relations company **Publicis Groupe** (+15%) following a strong Q4 earnings release in which it notably beat average projections on revenue growth. Also releasing strong numbers was **Pandora** (+17%) as the Danish jewellery manufacturer and retailer posted strong Q4 sales figures of DKr9.9 billion, beating analysts' expectations.

**Rexel** (+15%), the French company specialising in the distribution of electrical, heating, lighting and plumbing equipment, noted strong performance over 2022, performing above the upgraded guidance it released in Q3. Most notably, sales for the year were up 14%, driven by accelerating electrification trends in Europe.

The Fund's detractors included Swedish metals, mining and smelting company **Boliden** (-6.1%). Despite benefitting from high prices this year, the company lost ground after announcing a Q4 adjusted operating profit of SEK3.19 billion, a year-on-year increase of 13%, but slightly short of consensus expectations.

Swiss multinational healthcare company **Roche** (-5.0%) was also among the detractors after the company announced that it anticipates a sales shortfall due to falling demand for Covid-19 tests and treatments. Group sales rose 2% in 2022 but Roche expects 2023 to see a sales decline in the low single-digit range due to the loss of roughly SFr5bn of covid-related sales. Excluding this covid effect, the company expects solid underlying sales growth in both its Pharmaceuticals and Diagnostics divisions.

Having performed strongly in the first half of 2022 as oil prices spiked during the outbreak of war in Ukraine, shares in Norwegian engineering firm **Aker BP** (-7.4%) have since lost some momentum. The oil exploration and production company announced Q4 results which were shy of consensus forecasts, with EBITDA dropping to \$3.48bn, down 30% quarter-on-quarter as energy prices eased back.

**Positive contributors to performance included:**

Publicis Groupe (+15%), Pandora (+17%), Rexel (+15%)

**Negative contributors to performance included:**

Boliden (-6.1%), Aker (-7.4%), Roche (-5.0%)

**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 28.02.23, 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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