



Liontrust European Dynamic Fund

June 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund returned 3.9%* in sterling terms in June. The MSCI Europe ex-UK Index comparator benchmark returned 2.4% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 1.4%.

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 ex-UK Value Index outperformed the MSCI Europe ex-UK Growth Index by 2 percentage points in June.

This trend provided a tailwind to the portfolio 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.

Within the MSCI Europe ex-UK index, consumer discretionary was the strongest sector, rising 6.5%, followed by finance (+4.7%), utilities (+3.8%) and real estate (+3.7%). Communications services (-1.4%) and health care (-0.8%) were the only sectors to lose ground in sterling terms.

The Fund's financials sector exposure helped drive outperformance – a combination of an overweight position and positive stock selection. Within this, **Unicredit** (+18%) 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 has 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

Positive contributors to performance included:

Renault (+23%), Unicredit (+18%) and Rexel (+18%).

Negative contributors to performance included:

Evolution (-5.9%), Atlas Copco (-3.4%), Novo Nordisk (-1.7%).

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 European Dynamic I Inc | 24.8% | -5.9% | 43.8% | 2.2% | -1.7% |
| MSCI Europe ex UK | 19.0% | -10.6% | 21.8% | 0.0% | 7.3% |
| IA Europe Excluding UK | 18.4% | -12.6% | 23.7% | 0.9% | 3.3% |
| Quartile | 1 | 1 | 1 | 2 | 4 |

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

[23/423]