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Cashflow Solution

March 2024 review

Liontrust GF Pan-European Dynamic Fund

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The Fund's A5 share class returned 4.2%* in euro terms in March. This Fund's target benchmark, the MSCI Europe Index, returned 3.9%.

European markets participated in the global equity rally in March, as investors became more confident that the central banks' policy tightening efforts have successfully walked the fine line between bringing inflation down and allowing the economy to maintain some momentum.

As widely expected, the US Federal Reserve held interest rates steady for the fifth consecutive meeting, but investor sentiment was boosted by forecasts for cuts later in the year despite mounting evidence of economic resilience. The central bank upgraded its forecast for 2024 US GDP growth from 1.4% to 2.1%. In Europe, we saw the first rate cut in this monetary cycle from a developed world central bank as the Swiss National Bank reduced its benchmark rate from 1.75% to 1.5%.

The overall trend in Q1 was, however, towards an expectation of fewer rate cuts in the remainder of 2024. Looking at the eurozone for example, markets started 2024 expecting between six and seven quarter-point cuts this year but by the end of March price in only three to four cuts. This modest revival of the "higher-for-longer" theme that dominated for periods of 2023 provided a tailwind to the banking sector, which typically earns larger net interest margins when benchmark rates are higher. In March, the European market rise was led by real estate (+9.2%) and finance (+7.6%), while consumer staples (+1.2%) and IT (+1.2%) were laggards.

Of the portfolio's holdings, Deutsche Bank (+18%) saw significant share price strength as it released 2023 results which included upgrades to its 2025 targets. It now expects to achieve revenues of around €32 billion, representing a 5.5% - 6.5% average annual growth rate from 2021, up from prior guidance of 3.5% - 4.5%. Combined with a forecast of lower non-operating costs, Deutsche Bank plans to increase dividend distributions to €1.0 per share by 2025.

Banco Santander (+18%) issued an AGM statement that confirmed it is on track for its 2024 financial targets, describing "excellent business and commercial dynamics". Its Q1 income is set to grow 9% year-on-year following the addition of 2 million customers, while costs have been kept flat for the third consecutive quarter.

Among the detractors, Jeronimo Martins (-17%) was the heaviest faller. The Portuguese food distribution and grocery retailer had already notified the market of a deceleration in sales to 5.1% like-for-like in Q4, down from 12.8% for 2023 as a whole. Some of this resulted from food price deflation through the year, but there is also evidence that profit margins are coming under pressure. Full-year results released in March included forecasts of further food price deflation in 2024 combined with higher operating costs from salaries and rents. In Jeronimo's main market of Poland, consumer price sensitivity is particularly high, which is likely to lead to a competitive environment this year.

Q4 results from logistics group DHL Group (-7.0%) disappointed slightly against expectations. Group revenues fell 10% year-on-year to €21.3 billion and operating profit dropped by 14% to €1.6 billion. As expected, its global forwarding and freight division has a revenue drop (-33%) as air and ocean freight rates normalise following the post-Covid spike. But its express division saw a greater-than-expected sales decline of 6.7% as economic and consumer uncertainty fed through to lower business-to-business volumes. DHL's cash generation remains strong; it recorded €3.3 billion of free cash flow during 2023.

Positive contributors to performance included:

Renault (+21%), Deutsche Bank (+18%) and Banco Santander (+18%).

Negative contributors to performance included:

Jeronimo Martins (-17%), DHL Group (-7.0%) and TeamViewer (-5.4%)

*Source: Financial Express, as at 31.03.24, total return (net of fees and income reinvested).

Key Features of the Liontrust GF Pan-European Dynamic Fund

Investment objective & policy[1]	The investment objective of the Fund is to achieve capital growth over the long-term by predominantly investing in a portfolio of European equities. The Investment Adviser will seek to achieve the investment objective of the Fund through investment of at least 80% of the Fund's Net Asset Value in companies which are incorporated, domiciled, listed or conduct significant business in Europe (the EEA, Switzerland and the UK). The Fund will not be restricted in its choice of investment by either size or sector. The Fund is considered to be actively managed in reference to MSCI Europe Index (the "Benchmark") by virtue of the fact that it uses the Benchmark for performance comparison purposes and for certain Performance Fee Share Classes, to calculate performance fees. The Benchmark is 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. The Fund is not expected to have any exposure to financial derivative instruments in normal circumstances, but the Investment Adviser may on occasion, where it deems it appropriate in seeking to achieve the investment objective of the Fund, use financial derivative instruments listed on a recognised exchange or traded on an organised market or financial derivative instruments traded over-the-counter for investment purposes, efficient portfolio management, and hedging purposes. In addition, the Fund may invest in exchange traded funds and other eligible open-ended collective investment schemes. No more than 10% of the net assets of the Fund will be invested in aggregate in open-ended collective investment schemes. The Fund may invest in closed-ended funds that qualify as transferable securities. Investment in closed-ended funds is not expected to comprise a significant portion of the Fund's net assets and will not typically exceed 10% of net assets. For liquidity or cash management purposes, a proportion of the Fund may also be invested in debt securities including government and corporate bonds, Money Market Instruments, cash and near cash and deposits. Any investment in bonds will be in investment grade corporate and government fixed or floating rate instruments.
Recommended investment horizon	5 years or more
Risk profile (SRI)[2]	4

Active/passive investment style	Active
Benchmark	The Fund is considered to be actively managed in reference to the MSCI Europe Index (the "Benchmark") by virtue of the fact that it uses the Benchmark for performance comparison purposes and to calculate performance fees. The Benchmark is 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 Benchmark.

Notes: 1. As specified in the PRIIP KID of the fund; 2. SRI = Summary Risk Indicator. Please refer to the PRIIP KID 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 does not predict future returns. You may get back less than you originally invested.

We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments (35 or fewer) or have significant sector or factor exposures. If one of these investments or sectors / factors fall in value this can have a greater impact on The Fund's value than if it held a larger number of investments across a more diversified portfolio.

The fund's investment objective is to target capital growth for investors. Growth stocks tend to pay out lower levels of dividend resulting in lower income yields and may produce more volatile returns than the market as a whole.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

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.

Disclaimer