

Cashflow Solution

June 2024 review

Liontrust European Dynamic Fund



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The Fund returned -3.5% in sterling terms in June. The MSCI Europe ex-UK Index comparator benchmark returned -1.7% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was -2.1%.

The European Central Bank became the second major central bank to cut interest rates in June, lowering its deposit rate from an all-time high of 4% to 3.75%, moving before both the US Federal Reserve and the Bank of England. While the move was widely expected, stickier-than-expected services inflation meant that the ECB was keen to point out that the path to any further rate cuts is heavily data dependent.

Elsewhere, the result of the European parliamentary elections caused French president Macron to announce a surprise election in France, which led the French market to fall sharply at the halfway stage of the month. Sector returns for the MSCI Europe ex-UK Index were largely negative in June with the exception of information technology (+7.7%) and healthcare (+3.7%). The real estate (-5.8%), industrials (-4.8%), utilities (-4.7%) and consumer staples (-4.7%) sectors were the largest fallers for the period.

The French equity market was by far the weakest in Europe, with the CAC 40 index dropping by 6.4% over the month as the prospect of a far-right government and leftwing opposition rattled European financial markets. The country accounts for around 21% of the MSCI Europe ex-UK index, so this fall was a large headwind to European market returns. Although we don't target benchmark weights by country or sector, the Fund currently has a French exposure which is similar to that of the index. Fund holdings to drop amid poor sentiment in the wake of the election news include cyclical names such as automaker **Renault** (11%), building materials group **Saint Gobain** (-8.0%) and aircraft manufacturer **Dassault Aviation** (-15%).

The Fund's top performer in June was **ASML** (+10%), a specialist in the development and manufacturing of photolithography machines which are used in the production of semiconductor chips. Shares in the company rose following reports that this year's sales could receive a boost from a shipment of its latest chipmaking machine to Taiwan Semiconductor Manufacturing Company (TSMC).

Novo Nordisk (+7.9%) continued its strong performance this year, rising again after announcing an investment of \$4.1 billion to expand its US manufacturing and boost production of its blockbuster weight-loss drugs to meet surging demand. The Danish pharmaceutical group commented that the project will double the company's production footprint in the US, with the extra capacity coming online between 2027 and 2029.

Industria de Diseno Textil (+5.8%), also known as Inditex, climbed after the fashion retailer reported an upbeat start to the season as it announced quarterly sales and profit that met expectations. The owner of fashion brand, Zara reported that sales rose 12% from 1 May to 3 June, while generating an operating income of €1.6 billion for the three months to 30 April.

Positive contributors to performance included:

ASML (+10%), Novo Nordisk (+7.9%) and Industria de Diseno Textil (+5.8%).

Negative contributors to performance included:

Dassault Aviation (-1.5%), Renault (-1.1%) and Banco Santander (-1.1%).

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

	Jun-24	Jun-23	Jun-22	Jun-21	Jun-20
Liontrust European Dynamic I Inc	13.9%	24.8%	-5.9%	43.8%	2.2%
MSCI Europe ex UK	12.1%	19.0%	-10.6%	21.8%	0.0%
IA Europe Excluding UK	11.7%	18.4%	-12.6%	23.7%	0.9%
Quartile	1	1	1	1	2

* Source: Financial Express, as at 30.06.24, 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 30.06.24, 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/benefits-of-investing/guide-financial-words-terms>

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. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.

The Fund may encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings.

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.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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.

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