



Liontrust European Dynamic Fund

May 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund returned -2.1%* in sterling terms in May. The MSCI Europe ex-UK Index comparator benchmark returned -4.3% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was -2.8%.

Investors were unsettled by the impending deadline to extend the US debt limit and avoid default. While this was eventually achieved in a last minute deal in the early days of June, it weighed on sentiment throughout May.

Interest rate expectations in Europe stayed relatively static, with around two more 25 basis point increases expected in addition to May's hike to a 3.25% target deposit rate. The US Federal Reserve raised by the same margin, to a 5.0% - 5.25% range, and – by referring to a pause at this level – teased the prospect of a peak in rates, a prospect which is already fully priced into markets.

This macroeconomic backdrop translated to fairly broad-based equity market weakness in Europe, with energy (-10%), real estate (-9.5%) and communication services (-7.9%) the heaviest fallers. A notable bright spot was provided by IT (+6.2%), the only sector of the MSCI Europe ex-UK Index to record a gain in May, driven higher by AI excitement as investors reacted to a remarkably bullish update from Nvidia, the US-based designer of computing chips.

Nvidia recorded the largest one-day share price gain ever in the US after forecasting \$11bn in sales for the current quarter, around 50% ahead of analyst's expectations. The company cited exponential growth from a number of industries looking to increase computing processing power as they explore AI productivity gains. While Nvidia's semiconductor chips are seen as one of the purest plays on growing AI demand, positive read-across from the update lifted shares across the technology sector.

Within the Fund, Dutch semiconductor equipment maker **ASML** (+15%) experienced a strong rally, reflecting its status in the supply chain to Nvidia via chipmakers like Intel and TSMC.

Mediobanca (+3.6%) also bucked market weakness with the release of a solid set of quarterly results, with 10% year-on-year growth in revenues to €760m fuelled by a 22% jump in net interest income to €456m. It also issued new 2026 growth targets which include goals of expanding annual revenues by 6% to €3.8bn and returning €2.7bn to shareholders through dividends and a further €1bn via share buybacks.

Jewellery retailer **Pandora** (-13%) was caught up in the May market weakness despite releasing Q1 results at the start of the month which slightly beat expectations and included a small upgrade to forecasts. Organic sales growth was 1% year-on-year, with gross margin expanding 1.5 percentage points to 77.5%. While it notes a high level of uncertainty regarding the macroeconomic environment, it slightly upgraded its full year organic growth guidance range from a -3% to +3% range to -2% to 3%.

Positive contributors to performance included:

ASML (+15%), Mediobanca (+3.6%) and Mercedes-Benz (+2.5%)

Negative contributors to performance included:

Pandora (-13%), Dassault Aviation (-12%) and Heineken (-11%).

Discrete years' performance (%), to previous quarter-end:
Past performance does not predict future returns**

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust European Dynamic I Inc	8.2%	15.9%	54.9%	-8.3%	-0.1%
MSCI Europe ex UK	8.6%	5.5%	33.5%	-8.3%	2.2%
IA Europe Excluding UK	6.5%	4.2%	39.6%	-9.4%	-1.2%
Quartile	2	1	1	2	3

*Source: Financial Express, as at 31.05.23, 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 31.03.23, 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.

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