



Liontrust European Dynamic Fund

August 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund returned -1.1%* in sterling terms in August. The MSCI Europe ex-UK Index comparator benchmark returned -2.5% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was -2.5%.

Global markets fell at the start of the month after the credit rating agency Fitch downgraded the US government's credit rating from AAA to AA+, citing unsustainable debt and increased political dysfunction. Elsewhere, renewed stress in the Chinese property market and underwhelming macroeconomic data out of China triggered an increase in market volatility.

The Eurozone economy grew by 0.3% in the second quarter of 2023 after a flat first quarter, bolstered by a moderation in inflationary pressures. European Central Bank policymakers maintained the possibility of a September rate hike when they raised interest rates in July, with markets pricing in further hikes before the end of the year.

In terms of sector returns for the period, European market weakness was concentrated in consumer discretionary (-6.9%), industrials (-4.3%), IT (-4.0%) and utilities (-4.0%), Energy (+4.0%), healthcare (+1.6%) and real estate (+1.3%) all made gains for the month.

Novo Nordisk (+17%), the Danish pharmaceutical group behind top-selling obesity drug *Wegovy*, was the top performer over the period after lifting its annual sales forecasts, now expecting sales to grow 27-33% this year and operating profit to climb between 31-37%, exceeding prior expectations. The improved outlook for Novo was driven by higher than expected demand in the US for *Ozempic* – its diabetes drug that some clinicians have been prescribing to patients to tackle obesity as it contains the same active ingredient as *Wegovy*.

Danish jewellery brand **Pandora** (+5.2%) was another notable positive performer after strong Q2 revenue prompted the company to revise guidance upward for the second time this year. The company now anticipates positive growth of between 2% and 5% for the full year – an increase from the -3% to +3% the company had forecasted at the start of the year.

France-based financial services provider **Société Générale** (+6.0%) reported net income of €900m during the second quarter, exceeding average analyst estimates.

German airline **Deutsche Lufthansa** (-10%) reported record profits for the second quarter, while also forecasting continuing post-pandemic travel demand and high ticket prices for the remainder of the year. However, the company also indicated that capacity offered by its airlines would be at the lower end of previous guidance because of "persisting bottlenecks in the European air traffic system".

German logistics and mail group **DHL** (-7.9%) reported a drop in quarterly revenue and earnings over the month following a slump in freight volumes and prices. Despite this, the company raised the lower end of its 2023 profit guidance range, seeing annual EBIT between €6.2 billion - €7 billion, having previously forecast a figure between €6 and €7 billion.

Positive contributors to performance included:

Novo Nordisk (+17%), Société Générale (+6.0%) and Pandora (+5.2%)

Negative contributors to performance included:

Evolution (-11%), Deutsche Lufthansa (-10%), DHL Group (-7.9%)

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 31.08.23, 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.

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