LIONTRUST

CASHFLOW SOLUTION PROCESS

Liontrust European Dynamic Fund

September 2023 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund returned -0.7%* in sterling terms in September. The MSCI Europe ex-UK Index comparator benchmark returned -1.3% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was -1.8%.

The European Central Bank continued along its rate hiking path raising the deposit rate by 25 basis points to an all-time high of to 4%, marking 10 consecutive rate hikes. Both the Bank of England and US Federal Reserve chose to pause their rate-hike cycles during September, but forecasts from the Fed's rate-setting committee led investors to expect fewer rate cuts from current levels over the next two years.

In terms of sector returns, energy (+8.7%) was a significant riser over the month, benefitting from higher oil prices after production was cut in Saudi Arabia and Russia. Communication services (+2.5%) and financials (+2.5%) were also among the sectors to post a gain. The weakest sectors in European markets were information technology (-4.8%), consumer discretionary (-4.5%), utilities (-2.9%), real estate (-2.5%) and consumer staples (-2.4%).

Looking at the portfolio's largest stock-specific performance contributors and detractors over the month, newsflow was fairly light in terms of significant earnings or other corporate updates. From a sector allocation perspective, the exposure to consumer discretionary was positive in attribution terms. While the sector was weak overall, the portfolio saw good stock returns from **Renault** (+5.5%) and **Pandora** (+3.7%). Healthcare was the other sector to accumulate returns for the portfolio relative to the index; **Novartis** (+5.4%), **Ipsen** (+5.0%) and **Novo Nordisk** (+2.3%) all recorded gains.

The largest portfolio riser was **TotalEnergies** (+9.6%), again not due to any news on trading but instead reflecting its exposure to rising oil prices in response to production restrictions from Russia and Saudi Arabia. The Brent crude oil price rose 10% to around $95 a barrel during September.

One holding that did update investors was **Société Générale** (-11%), although the reaction to its capital markets day presentation was largely negative. The update had been widely anticipated due to the expectations of a strategic plan from its new CEO. But the French bank now forecasts higher capital intensity and annual revenue growth of only 0% to 2% a year over the next four years.

We continue to be constructive on the outlook for European equity markets. The MSCI Europe remains in a clear uptrend and valuations are reasonable. Furthermore, our measure of corporate aggression has fallen significantly, which is usually a positive sign for markets.

From a style point of view we continue to expect that both value and momentum investment styles should perform well. Until its renaissance post Covid, value styles had endured a dreadful decade and currently the spread between the valuations of growth and value stocks – though less extreme than existed in mid 2020 – is still wide. Furthermore our measure of investor anxiety – a good barometer of the potential for value to perform – is not yet at the low levels that would cause us to be more cautious on value. High investor anxiety usually goes hand in hand with strong value performance. With regard to the momentum factor, our proprietary indicator of momentum efficacy is currently very constructive, suggesting a minimal likelihood of a momentum crash in Europe.

Positive contributors to performance included:
Atlas Copco (+6.3%), TotalEnergies (+9.6%) and Novartis (+5.4%).

Negative contributors to performance included:
Société Générale (-11%), DHL Group (-9.4%) and Jeronimo Martins (-8.4%).

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

	Sep-23	Sep-22	Sep-21	Sep-20	Sep-19
Liontrust European Dynamic I Inc	26.8%	-8.7%	42.8%	3.5%	-3.0%
MSCI Europe ex UK	19.0%	-12.8%	20.9%	-0.5%	5.8%
IA Europe Excluding UK	18.7%	-16.1%	22.4%	3.1%	2.2%
Quartile	1	1	1	2	4

*Source: Financial Express, as at 30.09.23, 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 30.09.23, 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 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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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.

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