

# Cashflow Solution

December 2023 review

## Liontrust European Dynamic Fund



James Inglis-Jones

Co-head of Cashflow Solution Team



Samantha Gleave

Co-head of Cashflow Solution Team

---

**The Fund returned 4.9%\* in sterling terms in December. The MSCI Europe ex-UK Index comparator benchmark returned 4.4% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 4.8%.**

European markets continued their strong end to 2023, with three-quarters of the year's 14.8% return coming in November and December.

Investors continued to bet on rate cuts next year, defying the more measured recent message from central bankers that policy direction remains in the balance and data-dependent. This shift gained more impetus mid-month as the US Federal Reserve signalled several rate cuts next year within its 'dot plot' forecasts and surprised investors who had been expecting a stronger effort to rein in the rally in bonds.

The European Central Bank and Bank of England were more consistent in re-iterating the ongoing risks from inflationary pressures, with ECB president Lagarde saying "we should absolutely not lower our guard."

Nevertheless, markets finished the year pricing in 160 basis points of rate cuts from the ECB in 2024, compared with the 100bps forecast at the start of the month.

As investor risk appetite improved, European markets joined in the global equity rally, led by cyclical sectors such as real estate (+11%), industrials (+7.8%), materials (+7.4%) and IT (+5.2%). The MSCI Europe ex-UK laggards were energy (-1.0%), communication services (+1.4%) and consumer staples (+1.9%).

The Fund's best performers mirrored the pattern seen across the market, with cyclical stocks prominent; Online gaming platform **Evolution** (+14%), industrials group **Rexel** (+13%) and construction materials manufacturer **Saint Gobain** (+12%) led a group of seven stocks posting double-digit percentage gains.

While the financials sector overall recorded a solid 4.0% rise, the Fund saw some weakness among its banks – the unwinding of some of the gains made earlier this year as rising rate expectations boosted forecasts for banks' net interest income. **Caixabank** (-9.3) was the most heavily de-rated but **Bank of Ireland** (-3.8%) and **Unicredit** (-1.1%) also lost ground.

**Positive contributors to performance included:**

Evolution (+14%), Rexel (+13%) and Saint Gobain (+12%)

**Negative contributors to performance included:**

Caixabank (-9.3%), Bank of Ireland (-3.8%) and Ahold Delhaize (-1.5%).

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

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Liontrust European Dynamic I Inc	16.9%	0.7%	24.0%	20.1%	24.6%
MSCI Europe ex UK	14.8%	-7.6%	16.7%	7.5%	20.0%
IA Europe Excluding UK	14.0%	-9.0%	15.8%	10.3%	20.3%
Quartile	1	1	1	1	1

\*Source: Financial Express, as at 31.12.23, 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 31.12.23, 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/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.

## Disclaimer

This document is issued by Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business.

It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. 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.

This information and analysis is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content, no representation or warranty is given, whether express or implied, by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified.

**This is a marketing communication.** Before making an investment, you should read the relevant Prospectus and the Key Investor Information Document (KIID) and/or PRIIP/KID, which provide full product details including investment charges and risks. These documents can be obtained, free of charge, from [www.liontrust.co.uk](http://www.liontrust.co.uk) or direct from Liontrust. If you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances. All use of company logos, images or trademarks in this document are for reference purposes only.