

Global Fundamental

Q4 2023 Review

Liontrust Latin America Fund



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The Liontrust Latin America Fund returned 12.4% during the quarter, compared with a return of 12.6% for the MSCI EM Latin America Index and 11.8% for the IA Latin America sector (both comparator benchmarks)*.

Latin American equities had a strong end to the year, spurred on by increased confidence in a soft landing for the US economy and expectations the Federal Reserve will begin cutting interest rates in 2024. Fourth quarter returns of +12.5% for the market comfortably outpaced both emerging (+3.3%) and developed (6.7%) markets, taking the full year returns to +25.2%, again well ahead of both emerging (+3.6%) and developed (+16.8%) markets. All markets in the region generated positive returns in the final quarter, with Argentina (+29%) leading the way with the election of Javier Milei, followed by Peru (+17%) and Brazil and Mexico (+11-12%).

Central banks across the region moved early and decisively to raise interest rates to combat inflation, with Brazil hiking rates a full year ahead of the Fed. With inflation down sharply in most countries, central banks have been able to continue cutting interest rates. Chile has cut rates by 300bps, Brazil by 200bps, Peru by 100bps and finally Colombia by 25bps. Lower interest rates will continue to be a theme through 2024 with Mexico likely to begin its own cycle in the first quarter.

After 30 years in the making, Brazil's Congress passed a historic tax reform aimed at simplifying the tax system by combining many federal and state taxes into just two. Despite fears over the prospects for structural reforms when Lula was elected a year ago, Congress has had a productive year with a new fiscal framework, the tax reform, and even further privatisations. 2024 will be another busy year on this front with more wide ranging reforms, infrastructure concession auctions and privatisations expected.

In terms of portfolio attribution, the drivers of relative performance included Brazilian financial services company Itau Unibanco, Brazilian multinational Vale, and Brazil-based multi-category equipment leasing platform Armac Locacao Logistica e Servicos. Among the detractors over the quarter was fraud management and chargeback protection services company Clear Sale.

Latin American equities are trading at 9x forward earnings, a more than 20% discount to the broader emerging markets and 20% discount to the ten-year history. Even as global recession fears have eased, significant risks still seem to be priced into regional equities.

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

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Liontrust Latin America C Acc GBP	17.8%	15.2%	-16.1%	-18.1%	23.2%
MSCI EM Latin America	25.2%	22.6%	-7.2%	-16.5%	12.9%
IA Latin America	23.2%	16.4%	-11.5%	-14.9%	15.4%
Quartile	4	4	4	4	1

*Source: FE Analytics, as at 31.12.23, primary share class, total return, net of fees and income reinvested.

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 any fund is held long term (minimum period of 5 years). We recommend that you hold funds 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.

Investments in emerging markets may involve a higher element of risk due to less well-regulated markets and political and economic instability. This may result in higher volatility and larger drops in the value of the fund over the short term.

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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