



Liontrust European Growth Fund

March 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund returned 4.7%* in sterling terms in March. The MSCI Europe ex-UK index comparator benchmark returned 1.7% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 3.2%.

Although the Russian invasion of Ukraine dominated headlines throughout the month, the European equity market was able to rally from its lows on 7th March in order to regain its pre-conflict levels by the end of the month. With little indication that a resolution to the war is close, it is difficult to say what drove this recovery in sentiment. It certainly wasn't due to any easing in the other major factor investors are grappling with: inflation. Supply disruptions and financial sanctions as a result of Russia's invasion will accentuate the inflationary pressures which are already threatening to choke off economic growth.

Key central banks moved to combat this rapidly rising tide of prices by tightening policy during March. Most significantly, the US Federal Reserve not only delivered an expected 25 basis point rate hike but also indicated hikes were probable at each of its policy meetings this year, with some of them likely to involve 50 basis point increases. The Bank of England raised interest rates from 0.5 per cent to 0.75 per cent and the European Central Bank sped up the tapering of its asset purchase programme.

In light of recent events, some of this year's repositioning of the Fund has proven well-timed. In response to the market regime signals from our investment process, we removed some of the Fund's contrarian value names in order to invest in value areas benefitting from momentum. And it was areas such as materials and energy that provided the Fund's largest gainers in March. The oil price rose 7% to \$108 a barrel in March, having spiked to over \$125 intra-month. Against this backdrop it's easy to see why **Tethys Oil** (+20%) and **Lundin Energy** (+18%) notched up large gains without issuing any significant corporate news.

Fertiliser producer **K+S** (+21%) benefitted from significant potash price rises in 2021, helping it generate 32% growth in revenues to €3.2bn. In its outlook comments, it predicts that favourable market dynamics in 2022 will lead to both price and volume increases. It is aiming to as much as double EBITDA from €969m to a range of €1.6bn to €1.9bn. Metals miner **Boliden** (+17%) was another source of materials sector strength for the Fund, as was **Epiroc** (+17%), which is nominally categorised in the industrials sector but supplies capital equipment to the mining industry.

Although it remains below the index weight, last month's decision to increase Fund exposure to healthcare proved timely with the sector leading the European market during March (+7.0%). **Novo Nordisk** (+12%), **Ipsen** (+9.7%) and **Roche** were all among the gainers.

On the other hand, the Fund's auto stocks **Stellantis** (-8.8%) and **Mercedes-Benz Group** (-8.2%) weakened as the Ukraine war placed further strain on already stretched supply chains. The other large portfolio detractor was **Royal Unibrew** (-9.6%), as it issued 2022 earnings guidance that fell short of expectations. The Danish drinks company referenced high uncertainty in relation to geopolitics, raw material prices and Covid-19 when targeting operating profit growth of DKK1.65bn – DKK 1.80bn, compared with the DKK1.65bn achieved in 2021.

Positive contributors to performance included:

K+S (+21%), Lundin Energy (+18%) and Epiroc (+17%)

Negative contributors to performance included:

Royal Unibrew (-9.6%), Stellantis (-8.8%) and Mercedes-Benz Group (-8.2%).

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

Past performance does not predict future returns

	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Liontrust European Growth I Inc	15.9%	54.9%	-8.3%	-0.1%	0.6%
MSCI Europe ex UK	5.5%	33.5%	-8.3%	2.2%	3.0%
IA Europe Excluding UK	4.2%	39.6%	-9.4%	-1.2%	5.6%
Quartile	1	1	2	2	4

*Source: Financial Express, as at 31.03.22, 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 31.03.22, 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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