



Liontrust European Dynamic Fund

September 2022 review

Fund managers: James Inglis-Jones and Samantha Gleave

The Fund returned -5.2%* in sterling terms in September. The MSCI Europe ex-UK index comparator benchmark returned -4.8% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was -5.5%.

In the second hike of its tightening cycle, the European Central Bank opted for a larger move of 75 basis points, taking its deposit rate to 0.75%. ECB President Christine Lagarde commented that there would be several further rate rises as it looks to bring inflation back towards its 2% target. With eurozone CPI still sitting at 9.1% in August, markets are currently pricing in a peak policy rate of 2.5%.

The US Federal Reserve lifted rates by the same margin, taking them to a target range of 3.0% to 3.25%. Coming in the aftermath of a higher-than-expected inflation reading of 8.3%, the decision was accompanied by comments from Fed Chair Jay Powell on the necessity for further hikes and likelihood of economic slowdown.

Global geopolitical tensions remained extremely elevated, with Putin beginning the process of annexing four regions in south-east Ukraine following referenda which were internationally condemned as illegitimate. This volatile backdrop and the prospect of more aggressive monetary tightening prompted a bout of risk aversion that ensured all sectors of the MSCI Europe index finished the month in negative territory. As well as the defensive attractions of healthcare (-1.8%), the rate-sensitivity of financials (-1.9%) was responsible for some relative sector strength.

The Fund has exposure to both areas. **Roche** (+6.0%) was its best-performing pharmaceutical holding on read-across from encouraging results in slowing Alzheimer's from rival firms Eisai and Biogen. Roche is developing its own Alzheimer's drug which follows a similar approach of targeting amyloid build-up.

Within financials, both **Caixabank** (+12%) and **Bank of Ireland** (+8.5%) benefited from the outlook for monetary policy. Only last month, Bank of Ireland upgraded its net interest income guidance based on the expectation of higher benchmark interest rates.

Top-down trends were also dominant in determining the Fund's poorest performers in September. Neither **AP Moller Maersk** (-21%) nor **Pandora** (-18%) issued significant newsflow during the month but both would be considered cyclical businesses. **Aker BP** (-15%) tracked the oil price lower in the absence of any corporate updates. Brent crude fell 9% to \$88 a barrel during September and is down almost 30% since the end of May.

Positive contributors to performance included:

Caixabank (+12%), Bank of Ireland (+8.5%) and Roche (+6.0%)

Negative contributors to performance included:

AP Moller Maersk (-21%), Pandora (-18%) and Aker BP (-15%).

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

Past performance does not predict future returns

	Sep-22	Sep-21	Sep-20	Sep-19	Sep-18
Liontrust European Dynamic I Inc	-8.7%	42.8%	3.5%	-3.0%	6.8%
MSCI Europe ex UK	-12.8%	20.9%	-0.5%	5.8%	1.3%
IA Europe Excluding UK	-16.1%	22.4%	3.1%	2.2%	1.9%
Quartile	1	1	2	4	1

*Source: Financial Express, as at 30.09.22, 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 30.09.22, 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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