



Liontrust Latin America Fund

Q1 2023 review

Fund manager: Thomas Smith, assisted by Ewan Thompson

The Liontrust Latin America Fund returned -1.4% during the quarter, compared with a return of 1.1% for the MSCI EM Latin America Index and the IA Latin America sector return of 0.9% (both comparator benchmarks)*.

Latin American markets generated a small positive return during the first quarter of 2023, in line with the broader emerging markets and slightly behind developed markets. Dispersion across regional markets was high with Mexico leading the way and one of the best performing emerging markets, rising by 18%, while Colombia declined by 17% and Brazil fell 6%.

In Brazil, all eyes have been on the new fiscal framework which will replace the spending cap. The proposal was presented to Congress in early April which should be voted on sometime in May. Spending will be limited to growing at 0.7x the growth in revenues with the aim to stabilise government debt to GDP by 2026 and decline thereafter.

After this passes, the primary focus will become the tax reform in order to gain visibility on government revenues and enhance confidence the fiscal framework is sufficient to stabilise government debt. Inflation in Brazil has fallen from over 12% last year to 4.65% in March and into the Central Bank's target band (3.25 +/- 1.5%). The passage of fiscal reforms will allow for interest rates to start falling in the second half of the year. Evidence of fiscal responsibility from Lula's Workers' Party government could pave the way for a stronger currency, lower inflation and interest rates, a recovery in investment and stronger economic growth.

Mexican equities continue to benefit from further evidence of an acceleration in nearshoring. Mexico's competitive advantages in manufacturing have been a tailwind for years already, but this has been further reinforced by trade wars and geopolitical tensions, as well as the supply chain disruptions caused by the pandemic. There are clear beneficiaries in the manufacturing sector and related industries, but the economic benefits will be felt much more broadly than this. Occupancy rates in industrial real estate in the centre and north of the country remain exceptionally high, and Tesla's confirmation in March of its plans to construct a new factory in Nuevo Leon provided further evidence of this trend.

Latin American equities are trading below 8x forward earnings, a 25% discount to the broader emerging markets and 30% discount to the ten-year history. Recession fears could continue to weigh on regional and global equities through the months ahead but relative and absolute valuations are already at extreme levels suggesting significant risks are already priced in.

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

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust Latin America C Acc GBP	-11.7%	18.7%	33.7%	-35.3%	4.7%
MSCI EM Latin America	-5.3%	29.5%	34.9%	-37.8%	0.4%
IA Latin America	-6.4%	19.4%	33.0%	-34.0%	0.2%
Quartile	4	3	3	3	1

***Source: FE Analytics as at 31.03.23.**

****Source: FE Analytics as at 31.03.23. Quartile rankings generated on 07.04.23**

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 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 may invest in emerging markets/soft currencies or in financial derivative instruments, both of which may have the effect of increasing volatility. 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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