



Liontrust European Dynamic Fund

April 2023 review

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The Fund returned 0.6%* in sterling terms in April. The MSCI Europe ex-UK index comparator benchmark returned 2.1% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 1.3%.

Investor sentiment recovered swiftly from March's banks-led sell-off, allowing European markets to set aside persistently high inflation and the growing prospect of another US bank failure to register a solid gain for the month. European equities are now in an uptrend as measured by the market regime indicators deployed within the Cashflow Solution process. With aggregate market valuations looking fair in Europe our current outlook is fairly constructive, albeit tempered by the presence of somewhat concerning levels of aggressive corporate cash flow expenditure. Within this environment, we expect both value and momentum investment factors to continue to perform well, while growth stocks still look expensive.

Style and sector considerations largely took a back seat in April, however, as European market gains were relatively broad based. Real estate (+7.0%) was the largest sector riser in the MSCI Europe ex-UK Index, bouncing back from its position as March's biggest faller as fears over banking crisis contagion and rising borrowing costs abated. Consumer staples (+5.4%), healthcare (+5.1%) and utilities (+4.7%) all participated strongly in the rally while only IT (-4.4%) lost ground over the month.

Q1 updates drove some of the larger share price moves within the portfolio.

Swedish industrial tools manufacturer **Atlas Copco** (+12.5%) released stronger than expected Q1 results, detailing 5% organic growth in order intake to SKr47.7bn, with revenues up 18% to SKr47.7bn. The company commented on "extraordinary" levels of order growth for gas and process compressors, while demand for power equipment was also strong. Customer investment in electric vehicle production capacity increased order volumes for industrial assembly products.

Q1 results from **Renault** (-11%) also beat analyst estimates but were overshadowed by read-across from Tesla's pledge to persist with aggressive price cuts as it looks to boost demand. Renault sold 535,000 vehicles in the quarter, 14% higher year-on-year, pushing group revenue up 30% to €11.5bn when combined with the effect of higher sales prices. The company's order book is at a record level equivalent to 3.3 months' sales. Around 38% of Renault's European sales are now in electrified cars, leaving it exposed to margin squeeze if a price war develops.

ASML Holding (-8.1%) reported Q1 net sales of €6.7bn, up 5% quarter-on-quarter, and maintained its full-year 2023 sales growth guidance of 25%. It also pointed to a backlog of €38.9bn, which means its sales are only constrained by production capacity for its lithography machines rather than demand. Investors were nevertheless nervous regarding ASML's comments on the demand backdrop, which it described as consisting of mixed signals from different end markets, with some customers adjusting or delaying their purchases.

Shares in **Novartis** (+9.1%) have moved markedly higher since a late March announcement that its *Kisqali* drug performed well in a Phase III trial, significantly reducing the risk of breast cancer recurrence. In April the Swiss pharmaceutical group reported Q1 constant currency sales growth of 8% and raised its full-year 2023 sales guidance from low-to-mid single digits to mid-single digits, with core operating profit now forecast to rise by high single digits rather than mid-single digits.

Positive contributors to performance included:

Atlas Copco (+12.5%), Novartis (+9.1%) and Ipsen (+8.3%).

Negative contributors to performance included:

Renault (-11%), ASML Holding (-8.1%) and ArcelorMittal (-7.8%).

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

Past performance does not predict future returns

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Liontrust European Dynamic I Inc	8.2%	15.9%	54.9%	-8.3%	-0.1%
MSCI Europe ex UK	8.6%	5.5%	33.5%	-8.3%	2.2%
IA Europe Excluding UK	6.5%	4.2%	39.6%	-9.4%	-1.2%
Quartile	2	1	1	2	3

*Source: Financial Express, as at 30.04.23, 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 31.03.23, 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/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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