

Cashflow Solution

October 2023 review

Liontrust European Dynamic Fund



James Inglis-Jones

Co-head of Cashflow Solutions Team



Samantha Gleave

Co-head of Cashflow Solutions Team

The Fund returned -3.3%* in sterling terms in October. The MSCI Europe ex-UK Index comparator benchmark returned -3.0% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was -3.4%.

Most markets fell in October as investors grappled with ongoing inflationary pressures and adjusted to the possibility that interest rates may remain high for some time, while the unfolding crisis in the Middle East has also added a degree of geopolitical uncertainty. In Europe, the European Central Bank left its deposit rate unchanged at 4%, altering its path after ten consecutive rate hikes, though the bank did not rule out further tightening.

Sector returns were broadly negative for the period, with the exception of utilities (+0.9%) and information technology (+0.0%). The weakest sectors in the European market were healthcare (-5.0%), consumer discretionary (-4.8%) and industrials (-4.4%).

Danish jewellery manufacturer and retailer **Pandora** (+9.5%) rose after a positive update at its capital markets day, where the company announced new financial targets which were well received by the market. Pandora announced an EBIT margin target of 26-27% by 2026, an increase from c.25% in 2023. Furthermore, the company expects revenue to reach DKK 34-36 billion in 2026, up DKK 7-9 billion from the expectation of around DKK 27 billion for 2023.

In addition, Pandora noted the successful implementation of its Phoenix strategy which was launched in 2021 to focus on growth opportunities in brand, design, personalisation and markets, while also announcing it intends to scale up investments to accelerate revenue growth.

Novo Nordisk (+5.5%), the Danish pharmaceutical group performed positively on the announcement of the decision to stop its *semaglutide* kidney drug trial due to its results meeting a pre-specified efficacy criteria. Other encouraging news included the announcement of an upgrade to both sales and operating profit for 2023. Following the strength of Wegovy and

Ozempic volumes, the company raised sales growth expectations from 27-33% to 32-38%, while operating profit expectations rose to 40-46% from 31-37%.

Despite announcing a 13.8% year-on-year increase in third quarter revenue, French carmaker **Renault** (-14.6%) reported a decline in sales volumes for the period versus the first half of the year, citing that dealers were opting for lower inventories. However, Renault confirmed its full-year targets, with the company expecting an operating margin of between 7-8%.

French biopharmaceutical company **Ipsen** (-9.6%) fell following the release of earnings for the first nine months of the year. While the company confirmed its guidance for the full-year, analysts were disappointed by the 0.3% sales decline in the third quarter, with the company's Decapeptyl sales impacted by its exposure to China.

Bank of Ireland (-8.7%) was among the detractors despite raising its net interest income guidance for the year, with the second half of the year expected to be 5% higher than the first, reflecting higher rates as well as strong business momentum.

Positive contributors to performance included:

Pandora (+9.5%), Novo Nordisk (+5.5%), Dassault Aviation (+5.5%)

Negative contributors to performance included:

Renault (-14.6%), Ipsen (-9.6%) and Bank of Ireland (-8.7%).

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

	Sep-23	Sep-22	Sep-21	Sep-20	Sep-19
Liontrust European Dynamic I Inc	26.8%	-8.7%	42.8%	3.5%	-3.0%
MSCI Europe ex UK	19.0%	-12.8%	20.9%	-0.5%	5.8%
IA Europe Excluding UK	18.7%	-16.1%	22.4%	3.1%	2.2%
Quartile	1	1	1	2	4

*Source: Financial Express, as at 31.10.23, 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 30.09.23, 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/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 this fund is held long term (minimum period of 5 years). We recommend that you hold this fund 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.

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.

Disclaimer

This document is issued by Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business.

It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. The investment being promoted is for units in a fund, not directly in the underlying assets.

This information and analysis is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content, no representation or warranty is given, whether express or implied, by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified.

This is a marketing communication. Before making an investment, you should read the relevant Prospectus and the Key Investor Information Document (KIID) and/or PRIIP/KID, which provide full product details including investment charges and risks. These documents can be obtained, free of charge, from www.liontrust.co.uk or direct from Liontrust. If you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances. All use of company logos, images or trademarks in this document are for reference purposes only.