

Cashflow Solution

February 2024 review

Liontrust European Dynamic Fund



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The Fund returned 4.6% in sterling terms in February. The MSCI Europe ex-UK Index comparator benchmark returned 2.7% and the average return made by funds in the IA Europe ex-UK sector, also a comparator benchmark, was 3.1%.

The European market advanced in February, led by strong performance from consumer discretionary (+9.2%), information technology (+6.5%) and industrials (+6.3%) sectors, following a number of robust company earnings updates. On the other side of the ledger, real estate (-7.6%), utilities (-6.1%) and consumer staples (-3.9%) were among the market's poor performing sectors. The European Central Bank maintained its stance on interest rates, with President Lagarde downplaying the chances of imminent cuts, reiterating that the bank does not want to run the risk of reversing any cuts they do make.

The top performer for the month was **Hermes International** (+19%) after the French luxury design house reported strong sales for Q4, while also announcing plans of price hikes. Hermes reported better than expected sales for the final quarter of the year of €3.36 billion, marking an 18.5% increase at constant exchange rates, despite the high comparator previously reported sales in America and Asia. The company subsequently announced that it intends to increase global prices by 8% - 9%, expressing strong confidence in the Chinese market.

Italian bank **UniCredit** (+14%) performed strongly after the lender reported earnings that were ahead of analyst expectations. UniCredit announced net income of €2.81 billion in the final quarter the year, well ahead of analyst forecasts, citing higher-than-expected revenue, lower provisions for bad loans and a gain related to deferred tax assets.

Danish jewellery manufacturer and retailer **Pandora** (+11%) saw organic growth of 8% in FY23, ahead of prior guidance of 5% - 6%, with investment across its value chain – as part of its Phoenix strategy which was received well by investors.

French bank **BNP Paribas** (-1.1%) fell on the news of a drop in fourth-quarter income and a push back in a key profitability target. The bank reduced its 2025 target for return on tangible equity (ROTE) explaining that it would not hit its 12% target until 2026 due to higher regulatory reserve requirements and pressure to increase deposit rates.

Ipsen (-4.6%), the French biopharmaceutical company, fell after forecasting lower profitability this year due to an increase in R&D spend.

Positive contributors to performance included:

Hermes International (+1.9%), UniCredit (+1.4%), Pandora (+1.1%)

Negative contributors to performance included:

BNP Paribas (-1.1%), Ipsen (-4.6%), Rexel (-4.1%)

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

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Liontrust European Dynamic I Inc	16.9%	0.7%	24.0%	20.1%	24.6%
MSCI Europe ex UK	14.8%	-7.6%	16.7%	7.5%	20.0%
IA Europe Excluding UK	14.0%	-9.0%	15.8%	10.3%	20.3%
Quartile	1	1	1	1	1

* Source: Financial Express, as at 29.02.24, 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 31.12.23, 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.

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