

SHINING A LIGHT ON THE..... Liontrust European Equity Income Fund

AT A GLANCE

Investment Objective	
<p>The investment objective of the Liontrust European Income Fund is to provide a high level of income. In order to meet this objective, it is intended that the yield of the Fund (the sum of all net distributions in an accounting period divided by the unit price at the end of said period) will be in excess of the net yield of the MSCI Europe ex UK Index each year but this cannot be guaranteed. The yield may also be adjusted in the light of market conditions although it is not expected that this will be a regular occurrence.</p>	

Inception Date	15 December 2005
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000XGIB

Management	
Manager Name	Start Date
Oliver Russ	15 December 2005

Top 10 Holdings		
Assets in Top 10 Holdings	33.24%	
Name		% of Assets
Deutsche Post AG		3.73%
SwedBank AB		3.67%
Vinci SA		3.57%
Trasmissione Eletticit� Rete Nazio		3.54%
Axfood AB		3.46%
Daimler AG		3.32%
Roche Hldg AG		3.09%
Novartis AG		3.07%
Ryanair Hlds		3.00%
Sanofi		2.79%

Volatility Measurements	
3-Yr Std Dev (volatility)	9.74%
3-Yr Mean Return (average)	8.49%

FUND PERFORMANCE

Performance from 2012 to 31 August 2016

	2012	2013	2014	2015	2016
Liontrust European Income Fund	14.78%	25.65%	0.37%	10.59%	7.31%
iShares EURO Dividend ETF	-1.79%	16.57%	1.09%	-2.02%	12.36%
iShares MSCI Europe Ex UK ETF	14.00%	21.74%	-2.02%	1.99%	9.67%

Performance over 1 year, 3 years, 5 years and 10 years:

	1 year	3 years	5 years	10 years
Liontrust European Income Fund	11.97%	27.73%	67.11%	78.77%
iShares EURO Dividend ETF	15.52%	22.95%	20.93%	-17.25%
iShares MSCI Europe Ex UK ETF	11.67%	19.79%	43.28%	34.28%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

In this update with the fund manager Oliver Russ we discussed the fund and the opportunities for the sector. The fund's main focus is on paying an income, and its historic yield is 5.4% p.a. The fund was originally the Argonaut European Income Fund and then was purchased by Liontrust in 2016. We have compared performance against two ETFs (income and growth) and in both cases the fund has outperformed them.

European Income isn't necessarily one that springs to mind but Oliver argues this is an under invested sector. With bonds not yielding much and therefore offering little value, combined with greater life expectancy in retirement the hunt for income is ever greater. Europe is an area which offers investors opportunities. He believes that as an investment it offers diversification across sectors, countries and currency which you wouldn't get with a traditional UK Income Fund.

The sector is also underrepresented; in the UK there are 83 Income Funds, in Europe 10. With the UK there is a lot of crossover on holdings but less so in Europe. There is also a bigger pool of companies to select from; over 420 companies are paying dividends in excess of 3.5% compared to 144 in the UK.

The management and fund is all about the companies and finding those that can deliver sustainable earnings growth and therefore deliver a growing dividend yield. The fund looks to hold around 50 companies with a focus on mid to large cap. The holding period tends to be 3 years plus, and the fund has a low turnover. The fund is a mix of value, growth and special situations with the larger part of the fund being in value.

The USP is that it is all about the income and this is a pure income fund. Where there is potential risk is that just one person manages the fund and also acts as analyst. Analysis is in part outsourced, but the final decision rests with Oliver. However, he has run the fund since launch in this way and his view

is that the fund could run in the short term without him. In part one of the reasons for the sale was to protect against this risk. Liontrust have a European team who could pick up the fund should something happen, and they are looking to add to the team next year.

In summary for those looking for a pure European Income Fund then this is a fund to consider. Its performance is strong and it has delivered a higher yield than many UK Income Funds. There is risk with the fund manager but Liontrust are addressing this so over time this risk reduces.

Another point is that there are two arguments to investing in Europe, one is that it is structurally broken and therefore there is no value. On the other side that growth has been slow due to a succession of economic crises. If you are in the second camp, then there signs that things are turning around and therefore now could be a good time to invest.

As a final thought for investors, 30% of the fund is in financials, and investors need to be comfortable with this level of weighting.

The source of information in this note has been provided by Liontrust and is correct as at September 2016. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.