

# Sustainable Investment

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## China's 15<sup>th</sup> Five-Year Plan – why it is good for sustainable investment



Peter Michaelis

Head of Sustainable Investment

China is the second largest economy in the world at 17% of global GDP. Back in 1990 it was the 11<sup>th</sup> largest. Extraordinarily, it has grown at an average of 8.7% per annum over the following 35 years. Alongside its distinctive blend of market-based socialism, some of the reason for this success has been the industrial strategies it formulated in each of its 15 Five-Year Plans.

Recently, China released the latest such plan and it has some powerful implications for where we are likely to see strong structural growth – not just in China but globally. We believe these implications are good news for sustainable investment. It points to growth and investment in cleaner energy, advances in medicine and healthcare, and broader technological innovation.

- **Cleaner energy:** The goal is to progress with solving the energy trilemma: security, affordability and clean energy. To this end, China targets further reductions in carbon intensity; 25% of total energy consumption to be delivered by non-fossil fuel sources; upgrading the power grid to accommodate a projected 50% increase in electricity storage; and increasing solar and wind power.
- **Medicine:** The headline target is to increase life expectancy to 80 years by 2030. Focus areas for development are biotech and genetic research, and encouraging foreign investment.
- **Technology:** R&D is mandated to grow by 7% per annum; the focus is on AI and robotics, semiconductors, and quantum computing.

This reinforces our conviction in our sustainable investment themes and, while we do not have any direct investments in Chinese companies, these areas of spending will benefit many of the companies in our portfolio. We expand on a number of relevant portfolio companies below.

## Company examples: cleaner energy

- **Siemens's** (theme: *Improving the efficiency of energy use*) Smart Infrastructure division offers products and solutions to support the global transition from fossil fuels to renewable energy sources, and the associated transition to smarter, more sustainable buildings and materials.
- **Schneider Electric** (*Improving the efficiency of energy use*) is a global leader in energy management and automation, serving sectors such as buildings, industry, infrastructure, and data centres. Through these offerings, Schneider helps customers electrify and digitalise their operations, reducing energy consumption and emissions, and integrating renewable energy sources – contributing to a more sustainable and resilient economy.
- **Vestas** (*Enabling the energy transition*) manufactures and services wind turbines globally. Wind power is a renewable and low-carbon source of energy, and the company contributes to reducing emissions from the electricity grid by providing cost-competitive, wind-derived electricity.
- **National Grid** (*Enabling the energy transition*) provides electricity transmission and distribution in the UK and north-east USA that will allow for the decarbonisation of energy systems. It invests heavily in renewable energy infrastructure, modernising grids for efficiency, and supports the transition to less carbon-intensive technologies.

## Company examples: medicine

- **Thermo Fisher** (*Enabling innovation in healthcare*) is a key enabler of innovation within the healthcare and life sciences industries. It provides instruments, reagents and consumables, as well as software and services to those advancing science for academic, governmental and commercial purposes.
- **Oxford Biomedica** (OXB, *Enabling innovation in healthcare*) is a leader in cell and gene therapy innovation and manufacturing, providing the expertise and viral vectors for innovative new gene therapies. OXB's strength is in the delivery mechanism of these often life-saving, life-changing medicines. We expect Oxford Biomedica to be aligned with China's long-term plan of medical innovation and its focus on enhancing livelihoods and life expectancy. The Chinese government's target areas of biotech and genetic research/medicine bode well for a small but expertise-intensive company like OXB.
- **Intuitive Surgical** (*Enabling innovation in healthcare*) is the global leader in robotic surgery. Traditional surgery has high complication rates and high variability in surgeon skill, and surgical errors are unfortunately commonplace. Surgical robots level the playing field, improving outcomes for less experienced surgeons, reducing errors and lowering complication rates. This is better for patients, surgeons and hospitals alike.
- **AstraZeneca's** (*Enabling innovation in healthcare*) largest pharmaceutical segment is oncology, which accounts for 44% of the company's revenues. As cancer is a major cause of death around the world, including in China, the Chinese government's focus on increasing life expectancy to 80 by 2030 will need to include innovative medicines for the treatment of cancer. AstraZeneca's core competency in oncology medicines should translate well to the 2030 goals, representing a positive exposure for the company. Furthermore, China is AstraZeneca's second largest market, with existing manufacturing and R&D centres within the country, and the company announced in 2026 a \$15 billion investment in China in drug discovery and medicines manufacturing.

## Company examples: technological research and development

- **Oxford Instruments** (*Better monitoring of supply chains and quality control*) helps to measure and analyse scientific properties and enables research and innovation in its end markets. The company is therefore aligned with China's Five-Year Plan targets within R&D investment and technology, particularly within semiconductors. Oxford Instruments' technology enables materials analysis and understanding to drive innovation, research, and improvement of scientific processes. Products such as Oxford Instruments' electron microscopes and etching/deposition equipment are sold into a wide range of innovative R&D departments and laboratories, with use cases spanning compound semiconductors, battery storage solutions, and quantum science, to name a few.

- **Advantest** (*Better monitoring of supply chains and quality control*) provides equipment that tests semiconductors for defects, ensuring that electrical components meet strict safety requirements in applications such as automotive, while also reducing waste in the semiconductor fabrication process.
- **Keyence** (*Better monitoring of supply chains and quality control*) is the global leader in sensor and vision technology. Its products significantly reduce production errors and faults, reduce energy consumption and improve overall efficiency.
- **Cadence Design Systems** (*Improving the efficiency of energy use*) provides electronic design automation technology that designs and optimises semiconductor chips. Its technology facilitates innovation across many of our themes related to the digitalisation of the global economy. Semiconductor technologies are the backbone of key technological transitions, such as electric vehicles and renewable energy, and Cadence's tools are crucial in ensuring more energy-efficient and powerful semiconductor chips.

For a comprehensive list of common financial words and terms, see our glossary at:  
<https://www.liontrust.com/benefits-of-investing/guide-financial-words-terms>

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## 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.

The Funds managed by the Sustainable Future Team: Are expected to conform to our social and environmental criteria.

- May hold overseas investments that 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 a Fund.
- May hold Bonds. Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result; The creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay.
- 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.
- May invest in smaller companies and may invest a small proportion (less than 10%) of the Fund in unlisted securities. There may be liquidity constraints in these securities from time to time, i.e. in certain circumstances, the fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the fund to defer or suspend redemptions of its shares. May invest in companies listed on the Alternative Investment Market (AIM) which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.
- May, in certain circumstances, invest in derivatives but it is not intended that their use will materially affect volatility. Derivatives are used to protect against currencies, credit and interest rate moves or for investment purposes. The use of derivatives may create leverage or gearing resulting in potentially greater volatility or fluctuations in the net asset value of the Fund. A relatively small movement in the value of a derivative's underlying investment may have a larger impact, positive or negative, on the value of a fund than if the underlying investment was held instead.
- Do not guarantee a level of income.

The risks detailed above are reflective of the full range of Funds managed by the Sustainable Future Team and not all of the risks listed are applicable to each individual Fund. For the risks associated with an individual Fund, please refer to its Key Investor Information Document (KIID)/PRIIP KID.

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