

Global Equities

Q3 2025 review



Liontrust Japan Equity Fund



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Key highlights

- A busy quarter for political newsflow in Japan shouldn't detract from the core domestic drivers of its equity market, including a new corporate capex cycle and increasing focus on balance sheet efficiency and shareholder returns.
- Mitsubishi, benefiting from a new capex cycle and interest rate normalisation, was one of the Fund's standout contributors.
- The outlook for Japanese equities remains strong with robust earnings and ongoing corporate governance reform.

Performance

The Liontrust Japan Equity Fund returned 7.1%* over the quarter, against the 10.4% return from the TSE TOPIX Index comparator benchmark and the 9.5% average return in the IA Japan sector, also a comparator benchmark.

Commentary

Global equities saw broad based gains during the third quarter as global tensions eased with the US striking provisional trade frameworks with, among others, the EU and Japan, while negotiations with China continued under an ongoing truce. Signs of a weaker labour market in the US allowed the Fed to cut interest rates, for the first time this year, in September. Japanese equities slightly outperformed the developed markets return of 9.2%.

Alongside the announcement of Japan's trade framework with the US, July also saw Upper House elections where the LDP's coalition lost its majority, having already lost a majority in the Lower House last year. These results eventually led to the resignation of Prime Minister Ishiba in September and an LDP leadership contest which was won by Ms. Sanae Takaichi, who will now become Japan's first female Prime Minister. Her core policy platform is characterised by conservative, nationalist and expansionary economic principles, with a likely return of Abenomics and its three arrows – fiscal stimulus, monetary easing and structural reforms. Government

spending is expected to target food security, energy independence, and key high tech sectors such as AI, semiconductors and battery technologies. Military spending is likely to rise further (Japan recently raised its target to 2% of GDP by 2027, up from 1% previously), and we can expect measures to address Japan's demographic challenges while also cracking down on illegal immigration.

While the third quarter was a busy one for political news flow, the core domestic drivers of Japanese equities continue unabated. Consumer price inflation has been above the BOJ's 2% target for three and a half years now, printing 2.7% in August, and with that has come a new corporate capex cycle. The Tokyo Stock Exchange's governance reforms continue to deliver rising corporate return on equity and shareholder returns – share buyback announcements in April-May with full year results nearly doubled year over year. More companies are announcing plans to improve return on capital, and while balance sheet efficiency has been the most straightforward step, by reducing the complex web of cross-shareholdings and increasing shareholder returns through dividends and buybacks, we are also seeing companies focus on operational improvements that can sustainably raise the return on capital of corporate Japan.

Dispersion in sector returns was high, with energy (+28%) and utilities (+18%) leading the way, while consumer staples (+3%) and healthcare (+3%) lagged, albeit still generating positive returns. **Softbank Group** was the standout large cap, returning 77%, after beating earnings and continued positive sentiment towards its holdings in OpenAI, Stargate and other AI-related semiconductor businesses. Within the Fund, key contributions came from megabank **Mitsubishi UFJ** (+27%), benefitting from interest rate normalisation and a new capex cycle, **Toyota Tsusho** (+27%), the trading arm of Toyota Group with a focus on next-generation mobility, the energy transition and circular economy, and **Modec** (+34%) which builds FPSOs for the oil and gas industry.

The outlook for Japanese equities remains strong with robust earnings and ongoing corporate governance reform.

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

	Sep-25	Sep-24	Sep-23	Sep-22	Sep-21
Liontrust Japan Equity C Acc GBP	10.7%	13.4%	10.4%	-11.0%	15.0%
TOPIX	16.9%	10.3%	14.7%	-13.9%	15.3%
IA Japan	15.9%	11.0%	11.3%	-15.4%	16.6%
Quartile	4	1	3	1	3

*Source: FE Analytics, as at 30.09.25, primary share class, total return, net of fees and income reinvested.

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 any fund is held long term (minimum period of 5 years). We recommend that you hold funds 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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