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Global Equities

Q4 2025 review

Liontrust Emerging Markets Fund

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Key highlights

- Emerging markets were driven by a mix of commodity sensitivity and exposure to the tech hardware/AI supply chain, with South Korea (+27%) leading and China (-7.3%) lagging.
- Fund performance was boosted by the overweight to South Korea, and particularly good returns for Samsung Electronics and SK Hynix, but offset by negative stock selection effects in India and China.
- After several years of concentrated US positioning, richer valuations and narrow market breadth increase the likelihood of a gradual rotation toward under-owned regions where fundamentals are stabilising and the earnings cycle is improving

Performance

The Liontrust Emerging Markets Fund returned 2.9% in sterling terms over the quarter, compared with the 4.8% return from the MSCI Emerging Markets Index comparator benchmark and the 4.5% average return from the IA Global Emerging Markets sector, also a comparator benchmark*.

Commentary

Global equities and broader risk assets finished 2025 on a firm footing, supported by easing inflation, resilient activity data and a growing view that the next policy pivot would be driven by a cooling labour market rather than a renewed inflation shock. The US dollar was broadly stable over the quarter (after weakening earlier in the year), which proved supportive for emerging markets as the asset class rounded off a very strong year.

The MSCI Emerging Markets Index returned +4.8% in Q4 (sterling), ahead of developed markets (+3.2%) and the MSCI All-Country Index (+3.4%). For 2025 as a whole, emerging markets delivered +24.4%, compared with +12.7% for developed markets.

Within emerging markets, performance was driven by a mix of commodity sensitivity and exposure to the tech hardware/AI supply chain. South Korea (+27%), Chile (+25%) and South Africa (+14%) were among the strongest markets. By contrast, China (-7.3%) was the principal drag, reflecting weaker sentiment alongside ongoing policy and earnings uncertainty. Southeast Asia and India continued to lag the broader rally over the year, although India was broadly in line over the quarter itself.

The Fund's return was slightly behind the MSCI Emerging Markets benchmark in Q4. Performance benefited from the overweight in South Korea, supported by positive stock selection including Samsung Electronics and SK Hynix. We also saw strong contributions from industrial beneficiaries of the power and grid capex upcycle, including HD Hyundai and Hyosung Heavy, where robust order momentum continues against a tight global supply backdrop in transformers. In Chile, LATAM Airlines and SQM (the world's largest lithium producer) further supported stock selection. The main drags came from stock selection in India and China. In India, Eternal detracted as intensifying competition in quick commerce weighed on sentiment; we continue to believe the company is well-positioned to emerge as a long-term winner in this fast-growing market. Sify Technologies also detracted amid quarter-to-quarter volatility in a lower-liquidity stock, despite ongoing positive news flow around Sify Infinite Spaces and the developing Indian data-centre opportunity. In China, weakness was concentrated in Consumer Discretionary, with Tencent and NetEase affected by softer macro conditions and weaker FinTech/payment trends linked to slower consumption.

Portfolio activity during the quarter included new positions in Hanmi Semiconductor, a key thermal compression bonder supplier into the HBM supply chain, alongside Vale and Vedanta to gain exposure to iron ore and the broader commodities cycle; we also added Jiangxi Copper in December. We exited Tencent Music, and reduced exposure to areas where competitive intensity has resurfaced, including SEA Limited and MercadoLibre.

Looking ahead to 2026, the outlook for emerging markets remains compelling. Macro tailwinds are building as global disinflation and an easing bias from major central banks reduce pressure on real rates. After several years of "US exceptionalism," concentrated US positioning, richer valuations and narrow market breadth increase the likelihood of a gradual rotation toward under-owned regions where fundamentals are stabilising and the earnings cycle is improving. Emerging markets also appear better placed to deliver relative earnings improvement versus developed markets, supported by policy normalisation in parts of the complex and a more favourable base for margins. With the prospect of a commodity upswing supporting Latin America and resource-heavy markets, we see scope for broader, less China-dependent leadership — and expect stock selection to remain the key driver of returns.

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

	Dec-25	Dec-24	Dec-23	Dec-22	Dec-21
Liontrust Emerging Markets C Acc GBP	19.3%	10.3%	2.9%	-16.1%	-7.8%
MSCI Emerging Markets	24.4%	9.4%	3.6%	-10.0%	-1.6%
IA Global Emerging Markets	21.9%	8.2%	4.3%	-12.2%	-0.5%
Quartile	3	2	3	4	4

*Source: FE Analytics, as at 31.12.25, 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.com/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.

Investments in emerging markets may involve a higher element of risk due to less well-regulated markets and political and economic instability. This may result in higher volatility and larger drops in the value of the fund over the short term.

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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