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Global Equities

Q4 2025 review

Liontrust India Fund

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Key highlights

- While India matched emerging market gains in Q4, it lagged for 2025 as a whole.
- The Fund's quarterly underperformance of the market stemmed from a long-standing underweight to the IT sector, previously a structural underperformer but one which we have recently adopted a more neutral position on following a research trip in November.
- India's underperformance of wider emerging markets, much more attractive valuation levels and lowest-in-class market correlations provide a clear entry point to one of the most attractive long-term growth stories globally.

Performance

Over the quarter, the Liontrust India Fund returned 0.9%* in sterling terms, compared with the MSCI India Index return of 4.9% and the 2.1% average return in the IA India sector (both of which are comparator benchmarks).

Commentary

Global equities and broader risk assets finished 2025 on a firm footing as markets were buoyed by a positive macro backdrop, with easing inflation coupled with a still-resilient backdrop. There was a growing belief that the next policy pivot would be driven by a cooling labour market, rather than a renewed inflation shock. While the US dollar was generally flat over the quarter – as opposed to the clear weakening witnessed earlier in the year – this was enough to provide clear support for emerging market equities, which rounded off an extremely strong year. The MSCI Emerging Markets Index recorded a 4.8% return (sterling) in the fourth quarter – ahead of both developed markets (+3.2%) and the MSCI All-Country Index (+3.4%). For 2025 as a whole, emerging markets delivered an impressive 24.4%, against developed markets' 12.8%. While India matched emerging markets with a 4.9% return in the final three months of the year, it was a significant laggard over the full 12 months, with a -4.5% return.

India's improved quarterly performance came despite something of a two-speed global picture – with India exposed through the external financing channel. The rupee was one of the weaker emerging market currencies despite robust domestic growth expectations. The Reserve Bank of India's extended pause in monetary policy reflected a balancing act therefore between domestic growth and external stability.

In terms of sector returns, the Indian market largely reflected broader global themes – rewarding select cyclicals and punishing growth sectors. The biggest positive market contributions therefore came from the likes of energy, materials and financials. These sectors were also joined by a resurgent IT services sector, where low ownership combined with incrementally better order flow and company reporting to see a strong improvement in performance from a sector that has generally struggled in recent quarters.

The Fund lagged the wider market during the quarter. The most significant drag on performance came from the IT sector, largely due to a long-standing underweight in a sector that has been a structural underperformer due to a combination of lower growth, cyclical headwinds from US corporate spending and compounded by longer-term concerns over AI disruption. An on-the-ground research trip in November to assess the outlook for the sector amidst these cross currents led to a closing of the underweight to a more neutral positioning given a potential short-to-medium-term improvement in the operating environment. A position was taken in index-heavyweight TCS, along with a re-initiation of the holding in long-term mid-cap compounder Persistent Systems. A new position was also added in LTI Mindtree following a management meeting in Bangalore, where a clear improvement in order flow is evident.

A second negative impact on the portfolio came from the holding in Sify Technologies, the US-listed holding company for Sify Infinite Spaces, an upcoming Indian IPO in the emergent and attractive data centre sector. News flow for the stock continues to be positive, nonetheless relatively low liquidity saw a volatile quarter, with the stock staging a strong recovery at the start of 2026.

Stronger returns came in the industrials and materials sectors, where Ashok Leyland (commercial vehicles), KEI Industries (cables and wires), Jindal Stainless and Vedanta produced robust returns.

Throughout the quarter, Fund positioning continued to build exposure to more cyclical sectors in anticipation of a forthcoming recovery. The exposure to financials increased steadily through the period from 22% to 32% through the addition of Axis Bank, City Union Bank and non-bank lender Shriram Finance. Across the sector we are seeing improving credit growth and stable-to-improving asset quality as tighter liquidity conditions earlier in the year ease, and with banks having largely taken the hit to net interest margins from the current falling rate cycle. Positions were exited in Swiggy, the second player in the fast-growing but competitive quick commerce market, leaving exposure solely to our long-term expected market champion Eternal, as well as JSW Energy, where very low power demand has taken its toll.

Looking into 2026, India's structural growth remains extremely attractive, with shorter-term hurdles including navigating the global rate cycle and foreign market sentiment. With the ascendency of the AI-cycle in global portfolios, offshore investors have heavily sold down their Indian holdings in order to finance purchases in North Asia, particularly South Korea and Taiwan. The relative fortunes of the Indian market in the short-term could therefore be a function of investor positioning elsewhere. In recent periods of market volatility in the fourth quarter, India showed its clear defensive potential by strongly outperforming wider markets, exhibiting extremely low correlations with wider markets. We argue that India's steep relative correction, much more attractive valuation levels and lowest-in-class market correlations make the market one to watch, providing a clear entry point to one of the most attractive long-term growth stories globally.

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

	Dec-25	Dec-24	Dec-23	Dec-22	Dec-21
Liontrust India C Acc GBP	-14.6%	23.7%	5.2%	4.0%	59.3%
MSCI India	-13.5%	27.7%	0.7%	8.8%	46.8%
IA India/Indian Subcontinent	-10.5%	23.9%	3.0%	5.8%	48.6%
Quartile	4	2	1	3	1

*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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