

Global Equities

Q4 2025 review



Liontrust Japan Equity Fund



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Key highlights

- Global backdrop remains supportive, with synchronised central bank easing and a clear pivot in the US Federal Reserve's reaction function toward downside employment risks, although this stands in contrast with the Bank of Japan which has raised rates to a 30 year high.
- Core domestic drivers remain intact, with more companies focusing on operational improvements that can sustainably raise the return on capital of corporate Japan.
- The outlook for Japanese equities continues to be strong, with robust earnings and ongoing corporate governance reform.

Performance

The Liontrust Japan Equity Fund returned 1.5%* over the quarter, against the 2.7% return from the TSE TOPIX Index comparator benchmark and the 2.9% average return in the IA Japan sector, also a comparator benchmark.

Commentary

The global backdrop remained supportive during the fourth quarter, with synchronised central bank easing and a clear pivot in the US Federal Reserve's reaction function toward downside employment risks. The Fed cut rates twice during the quarter and, with continued benign inflation readings, further easing is expected through 2026. This stood in stark contrast to Japan where the Bank of Japan (BoJ) hiked rates to 0.75%, taking them to a thirty year high.

While China's economic data improved at the margin into year end, with December's manufacturing PMI moving back above 50 for the first time since March, Q3 GDP growth of 4.8% reinforced the view that policy support was stabilising rather than reaccelerating activity. Fiscal policy is expected to be more proactive in 2026 with emphasis on domestic demand, innovation and the safety net.

In October, Ms. Sanae Takaichi became Japan's Prime Minister after winning the LDP leadership contest that followed Shigeru Ishiba's resignation. 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.

The core domestic drivers of Japanese equities continue unabated – CPI has been above the BoJ's 2% target for nearly four years now, printing 2.9% in November, 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. More companies are announcing plans to improve return on capital. 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 returns across sectors was again high, with energy (+11%), technology (+7%) and utilities (+7%) leading the way, while consumer discretionary (-0.5%) and communication services (-10%) lagged.

The Fund's key contributions came from holdings in the industrials, materials and energy sectors, offset by weakness in holdings in communication services. The outlook for Japanese equities remains strong with robust earnings and ongoing corporate governance reform.

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

	Dec-25	Dec-24	Dec-23	Dec-22	Dec-21
Liontrust Japan Equity C Acc GBP	9.0%	16.7%	9.1%	-4.3%	-1.4%
TOPIX	16.7%	9.7%	12.8%	-4.5%	1.7%
IA Japan	17.4%	8.7%	11.6%	-8.1%	1.8%
Quartile	4	1	3	1	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.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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