

# Global Equities

Q2 2024 review



## Liontrust Japan Equity Fund



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The Liontrust Japan Equity Fund returned -2.5% over the quarter, against the -4.4% return from the TSE TOPIX Index comparator benchmark and the -3.5% average return in the IA Japan sector, also a comparator benchmark\*.

Japanese equities managed to eke out further gains during the second quarter, although this was more than offset by yen depreciation of 6% against sterling. Domestic factors that continued to drive the rally included the gradual transition from deflation to a mildly inflationary economy (CPI has been above 2% for more than two years now), and rising corporate return on equity and shareholder returns driven by the Tokyo Stock Exchange's (TSE) governance reforms.

Despite the Bank of Japan's (BoJ) first interest rate hike for 17 years coming during the first quarter, along with the removal of yield curve control, the more hawkish repricing of interest rate expectations in the US has been a headwind for the yen due to the large interest rate differential. With the yen depreciating to record lows, we need to see US Federal Reserve cuts and further BoJ hikes in order to find a new equilibrium.

We continue to see progress being made on the back of the TSE's initiative last year aimed at getting companies to focus on their cost of capital and encourage those generating unsatisfactory returns to publish plans detailing how they intend to rectify this. The first and most straightforward step has seen companies reduce their complex web of cross-shareholdings and initiate share buybacks or raise dividends in order to improve the efficiency of balance sheets. The hope is that this can be followed by operational improvements that can sustainably raise the return on capital of corporate Japan. 2023 saw a record number of shareholder proposals at AGMs, many calling for improvements in capital efficiency, shareholder returns and corporate governance. This year the momentum continues – already in the first half we have seen shareholder activist events that equalled the whole of last year.

The Fund's outperformance of the TOPIX was driven by key positive contributions from the financials and industrials sectors, while weakness was focused in autos and real estate. The outlook for Japanese equities remains strong with robust earnings and ongoing corporate governance reform.

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

	Jun-24	Jun-23	Jun-22	Jun-21	Jun-20
Liontrust Japan Equity C Acc GBP	18.2%	10.2%	-8.2%	17.9%	6.9%
TOPIX	13.1%	12.4%	-8.7%	10.4%	5.6%
IA Japan	10.6%	12.7%	-11.4%	13.2%	7.8%
Quartile	1	3	1	1	2

\*Source: FE Analytics, as at 30.06.24, 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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