The toad to recovery, and other stories

We look back on another year of fascinating research from the team at Kepler, even if we do say so ourselves.

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One of the most popular articles we have ever published was also one of my favourites because of the sheer silliness of its headline, and the extremes of tenuity to which one of its authors — Thomas McMahon — went with the opening par.

'**The Toad to Recovery**' was a fascinating debate between Thomas and Ryan Lightfoot-Aminoff, glamorous star of our hip and creatively titled monthly podcast '**Monthly Roundup**' and the nearest thing we have to a finfluencer, about the outlook for China in 2023.

Thomas led the piece with a reference to a huge 2.7kg toad which had been found in Australia — shoehorning in the link between the Ozzie amphibian and a debate about the Chinese economy which had nothing to do with it, on the basis that toads are symbols of prosperity and wealth in Chinese culture and, er, it wasn't long until the Chinese New Year.

This year Jean-Baptise Andrieux, our most recently appointed analyst, knocked his boss of the top spot in terms of both headline and tenuity with '**Billions of blue blistering microchips**', breaking with traditional scorn for all things Belgian (as a fresh-faced Frenchman) by riffing on Captain Haddock, of Tintin fame.

Tintin, he said, was very much like a US mega-cap stock linked to artificial intelligence before moving on to examine the performance of global equity trusts in 2025 with no further reference to the controversial Walloon.

In recognition of this feat of mental gymnastics, I am delighted to put Jean-Baptiste's article forward as my favourite article of the year in 2025, and invite you to find out what the rest of the team have put forward for theirs.

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Pascal is a partner at Kepler Partners LLP and launched Kepler Trust Intelligence when he joined Kepler in 2015. Prior to this he managed FE Trustnet, one of the UK's largest investment research websites, for ten years. In a former life Pascal was a financial journalist and he has written extensively about investment trusts and other investments for the trade and national press.

The article written in 2025 that I think has a lot to give to investors in 2026 is Alan Ray's **excellent review of Europe**.

Written at the end of March 2025, it came at an interesting point where it seemed that equity market leadership was passing from the US, facing a belligerent new President on the cusp of implementing a raft of tariffs, to Europe, with a resurgent interest in European equities. Whilst US equities have since caught up, trusts exposed to Europe rank amongst the best performing over the past year in the whole trust universe. At the time of writing, **JPMorgan European Growth & Income (JEGI)** has delivered a share price total return in line with that of heavily US-focussed **Polar Capital Technology (PCT)**, and its small-cap-focussed sister **JPMorgan European Discovery (JEDT)** is not far behind.

Alan's message was that first and foremost, European equity indices and stock markets do not reflect the undynamic, stodgy mess of a democracy that the EU bloc often presents. There is a huge array of global leaders in different niches represented here. And in an environment that rewards fundamentals, one might argue that Europe is a particularly rich place for stock pickers to add value for investors. Alan includes "non-standard" constituents of his review of the European sector to include **TR Property (TRY)**, **3i Infrastructure (3IN)**, **HgCapital Trust (HGT)**, and **CT Private Equity (CTPE)**, which all have a hefty underlying exposure to Europe and give investors a further diversified exposure.

Secondly, and perhaps rightfully, Alan points out that European equities have tended to always trade at a discount to their US counterparts. In aggregate, having a less mercantile political system behind European companies may mean this discount is justified. However, on an individual company basis, a discount may not be justified if the company performs better than a US rival. If discounts persist, then M&A is one way for this value to be crystallised. In view of the meteoric rise in US stock markets, Alan's article provides an excellent guide for investors who may wish to recycle gains into a no-less dynamic pool of companies at lower valuations, but managed by a range of talented active managers who in Alan's words "have shown themselves to be incredibly adept at navigating European markets, regardless of whether sentiment, politics, and economics are positive or not."

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William Heathcoat Amory is a co-founding partner of Kepler Partners LLP and leads the Kepler investment trust research team. William has over 20 years of experience as an investment company analyst. Prior to co-founding Kepler Partners in 2008, he was part of the Extel number 1 rated research team at JPMorgan Cazenove.

I will let someone else choose Joe's Six Nations story, in which he selected a first XV of investment trusts, although that was probably my favourite to read this year. Instead, I am going to pick a story by our newest analyst, Jean-Baptiste Andrieux. Jean-Baptiste has no opinions worth listening to on rugby, but he is a very entertaining writer. I enjoyed his **run-through of the European trusts via extended metaphors based on the performance of German football team Bayer Leverkusen**. The article showed just how well European trusts have done versus their open-ended peers, on a share price and NAV basis, using the advantages we often talk about to good effect.

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Thomas is Head of Investment Companies Research and joined Kepler in April 2018. Previously he was senior analyst at FE Invest, where he was responsible for fund selection for a range of model portfolios. He covered all asset classes over time, but has particular experience with emerging markets and fixed income as well as UK smaller companies funds. He has a degree in Philosophy from Warwick University and is a CFA charterholder.

For my article of the year, I am going to plumb for Josef's relatively recent **article on frontier markets**. For someone whose investment picks can often be described as "optimism trumping reality", I have long wanted to explore the opportunity set in the frontier markets space. In fact, the only trust I owned PA before joining Kepler was **Vietnam Enterprise Investments (VEIL)**, as an investment in the only frontier country that I could establish enough confidence in to add to for the long term.

However, after reading Joe's article, I had a much better understanding of the sector and the potential drivers and pitfalls that one might experience. As a natural contrarian, I have typically stayed away from broad emerging market allocations, believing that the best ideas lie in more undiscovered opportunities, and having absorbed Joe's analysis of the smaller end of GEM and frontier markets, it has helped me gain a better understanding of the space and built my confidence in where to invest next.

With the asset class having shown good resilience in an otherwise turbulent year, the piece has helped further build my confidence in the asset class and given me a number of potential trusts to explore for an allocation when I next rebalance my portfolio.

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Ryan joined Kepler in August 2022 as an investment trust research analyst. Prior to this, he spent seven years as a senior research analyst at Chelsea Financial Services where he worked on fund selection for their retail clients and on their multi-asset fund range. He holds an MSc in Finance & BA in Accounting & Finance from the University of the West of England.

In September, my colleague Joe Licsauer and I collaborated on an article about **Japan**. This followed up on a similar piece we wrote in 2023, and although my inclination is not to pick my own work, in this case, I think there are a couple of reasons why this was a good read. First, 2025 has very much been a year when US equities have shouted the loudest for attention, both positively and negatively, and this article was one of several we as a team produced that aimed to give investors some other options to think about. Our ability to predict the next stage of the AI 'bubble' that has dominated the headlines is as limited as anyone else's, but we do know that there are many other markets that present opportunities that are being overlooked, and Japan is one of those. The second reason I've picked it is that, as a pure exercise, working with a colleague to produce a coherent message is a good way to question one's own biases, and perhaps come up with a more balanced view. And, dare I say it, we both enjoyed the process of writing it, which perhaps makes its reading more enjoyable too.

In the piece, Joe does a great job of explaining how listed companies in Japan have been transformed by requirements introduced by the government, working closely with the Tokyo Stock Exchange. In simple terms, the old corporate habits of hoarding cash, resulting in very low returns on capital and low investment rates, are being pushed aside, and companies are gradually being compelled to operate on a more capital-efficient basis. Further, the old habits of companies owning each other's shares (cross holdings) are also being pushed out, making M&A activity more possible. He makes the point that although many companies have already done the work, plenty more haven't, and valuations are still attractive, particularly when one looks at the stretched valuations of US equities. Activist investors, including the team managing **AVI Japan Opportunities (AJOT)**, continue to push companies that haven't yet addressed their capital efficiency issues and are having successes that suggest a real change in culture. He also discusses how Japan has many businesses that have expertise and leadership in sectors that really matter in a global sense, such as automation and robotics, and so the Japan story is not just about changing the corporate culture, but about interesting companies that are being encouraged to invest more heavily in their future. We concluded with a reflection that, although our instincts are usually for less rather than more government intervention, perhaps there is a lesson for the UK that, with the right plan, a government can have a very positive impact on a stock market that has had its issues.

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Alan joined Kepler in October 2022. He has worked in the investment funds industry for over 25 years. The first half of his career was as an investment trust analyst, leading a highly-rated sell-side research team. More recently he has worked in corporate advisory and investment banking roles, with a focus on alternative asset classes.

Not something I've done before, but I think it's only fair to drop an honourable mention for this year's top stories piece, as the whole team have certainly written some cracking stuff.

Ryan's **Madcap Income Portfolio** piece really stood out earlier in the year for its inventiveness, pulling together an income portfolio from less obvious corners of the investment trust universe, esoteric sectors, enhanced dividend policies, and global diversifiers.

But the article that clinched it by a hair was Alan's '**What is now proved was once only imagined**'.

What I liked most was the way it challenged how we think about market leadership, without resorting to easy comparisons or alarmist conclusions. Drawing sensible parallels with the dot-com era, Alan acknowledged how much we've learned since then, particularly our willingness to accept that very large companies can grow at extraordinary rates. The more interesting question he posed was whether we've fully considered what that growth actually requires. By contrasting the familiar, cap-weighted S&P 500 with its equal-weighted counterpart, he highlighted how belief in a handful of dominant companies has coincided with a far more uneven experience for the rest of the market. If those leaders are to justify their valuations, the products and services they're developing will need to be adopted widely, and that naturally points investors towards opportunity beyond the narrow group currently doing the heavy lifting.

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Josef is an Investment Trust Research Analyst and joined Kepler in September 2023. Prior to this, he was an Investment Analyst at Hargreaves Lansdown, where he was responsible for fund research across a number of sectors including Japan, Europe and Alternatives. He obtained a first-class degree in Business and Management from the University of the West of England. He also holds the Investment Management certificate.

Covering the different global equity sectors as well as UK All Companies, I rarely (if at all) deal with smaller emerging and frontier markets. As such, I found Josef's article, '**Exploring frontier and emerging markets amid shifting global flows**', particularly engaging, as it delves into equity markets with which I am not familiar. These are niche markets that are often overlooked by investors, and I think it is fair to assume that some will, in fact, never have heard of them. As such, my colleague's article has strong informational value, explaining what frontier markets are whilst also shedding light on lesser-known emerging markets that tend to sit in the shadow of the larger constituents, such as China, India, or Brazil.

Whilst these markets are not without risks, the article highlights their merits. For instance, frontier markets can offer meaningful benefits from a portfolio construction perspective, given their moderate correlation with developed and emerging markets. The piece also challenges some of the more negative narratives often associated with these markets, such as the assumption of significantly higher volatility compared with developed markets. As Josef's research shows, this has not really been the case over the past five years.

Furthermore, both emerging and frontier markets have delivered strong returns in 2025, demonstrating greater resilience to US tariffs than many had expected. As outlined in Josef's article, several structural trends could support a continuation of this performance, including rising domestic demand in emerging Asia, increased defence and infrastructure spending in Eastern Europe, and nearshoring trends in Latin America. Investment trusts provide a broad range of options for investors looking to access emerging and frontier markets, from generalist strategies to more specialised approaches focussed on smaller emerging markets and frontier markets, or individual countries.

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Jean-Baptiste joined Kepler in August 2024 as an investment trust research analyst. Prior to this, he worked as a reporter for Money Marketing and Trustnet where he wrote news, features and opinion pieces. He graduated from the University of Vienna with a BA in History and from City, University of London with an MA in Newspaper Journalism. He also holds the Investment Management Certificate.

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