

# ASIA: NAVIGATING THROUGH 2021

January 2021

**Andrew Gillan**

Head of Asia ex-Japan Equities

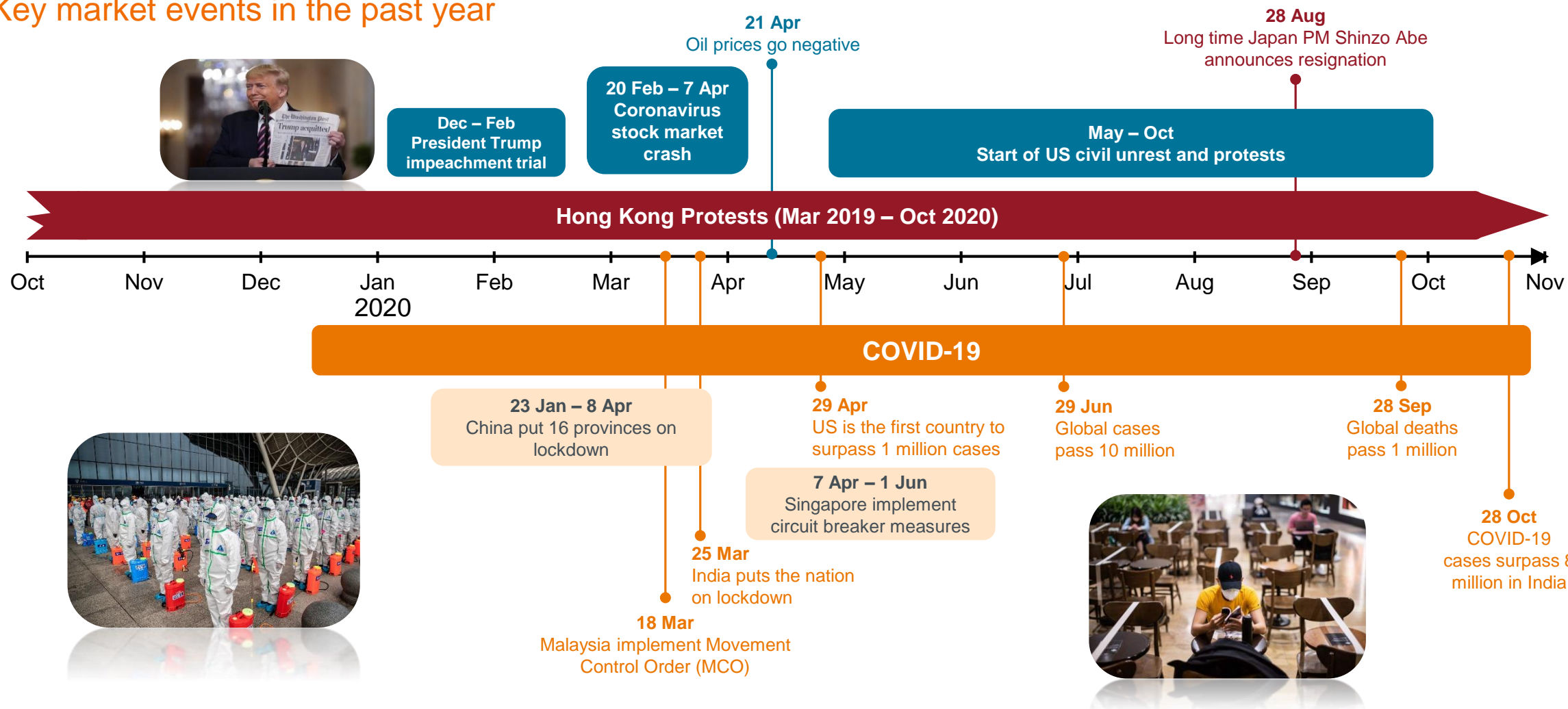


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# AN EVENTFUL YEAR

## Key market events in the past year

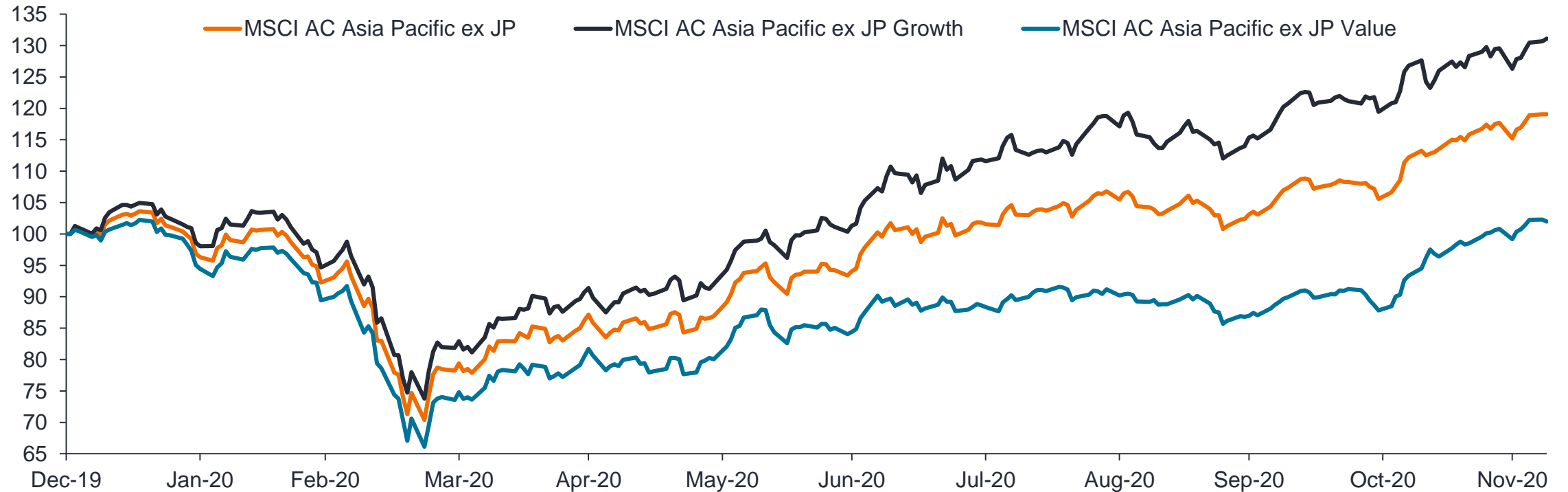


Source: Getty Images, AP Photo, as at 31 October 2020.

# 2020 YTD PERFORMANCE – HUGE STYLE DIVERGENCE

Value and yield have lagged growth by a considerable margin

YTD Total Return Performance in USD, Rebased to 100 (%)



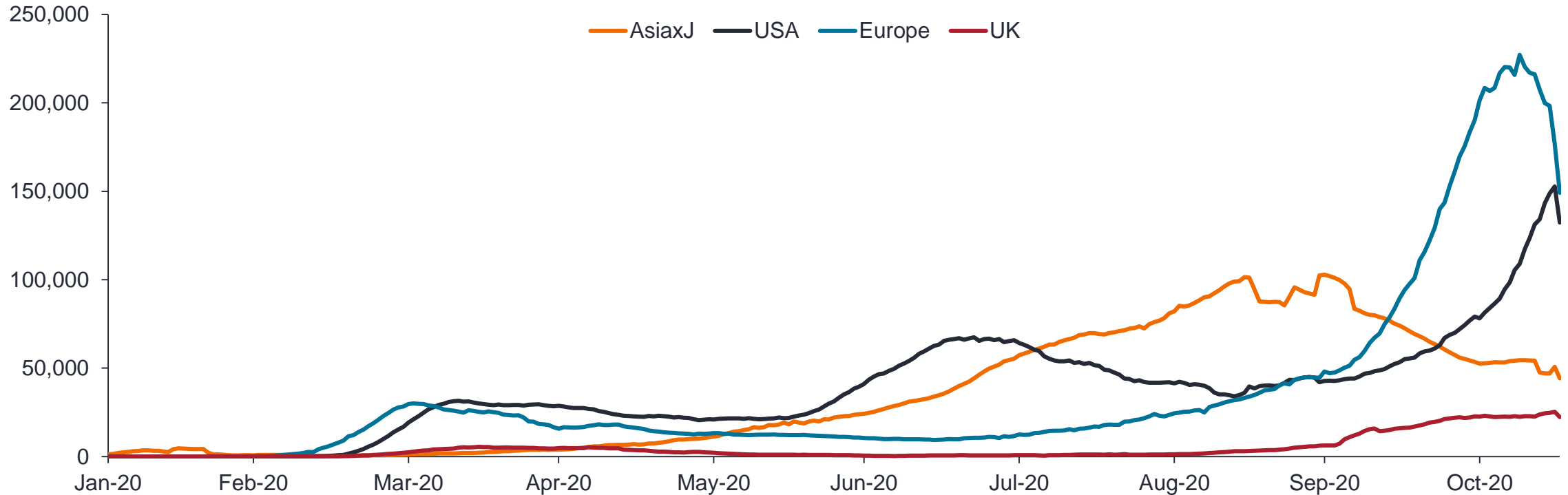
Source: Janus Henderson Investors, Bloomberg as at 8 December 2020

Note: **Past performance is not a guide to future performance.**

# COVID-19 NEW CASES BY REGION

7-day average new daily cases

Daily New Cases 7-Day Moving Average



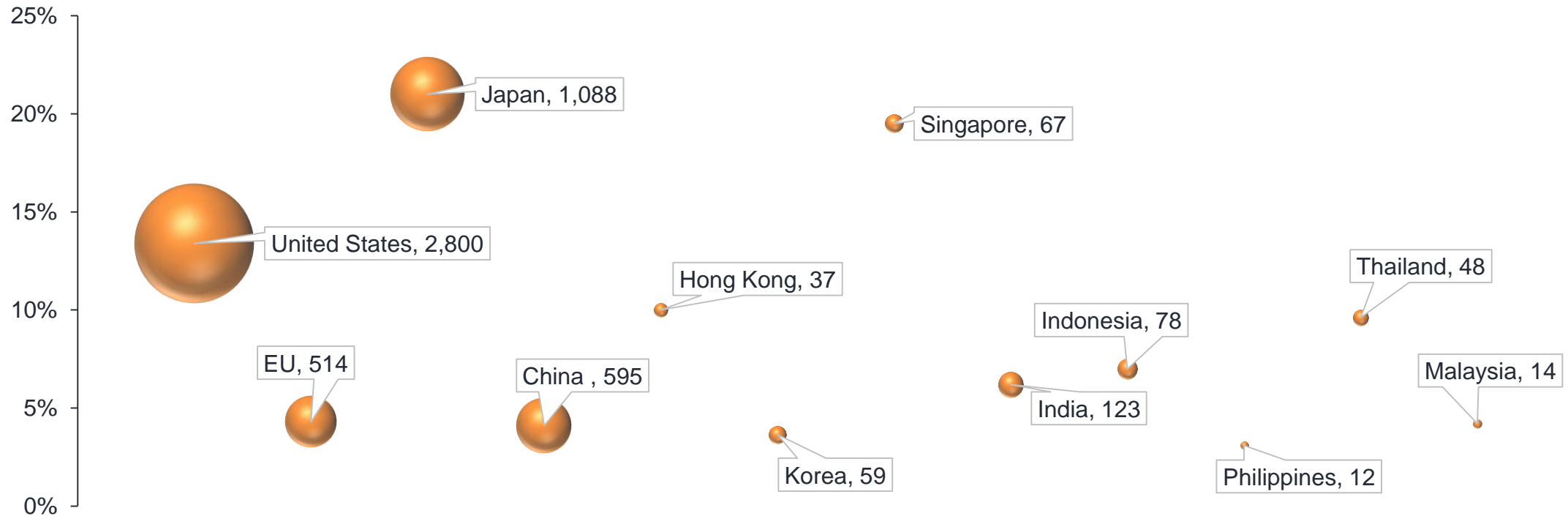
Source: Bloomberg, Jefferies, 16 November 2020

Note: Asia ex Japan includes: China, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Thailand

# COVID-19 GOVERNMENTS' RESPONSE

## Government Response as a Percentage of GDP

Fiscal stimulus in USD Billions

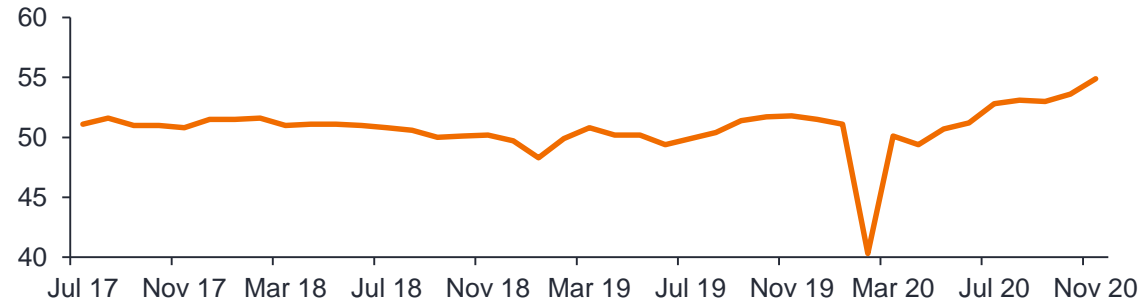


Source: IMF, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#>, as at September 2020

# COVID-19 – CHINA ECONOMIC UPDATE

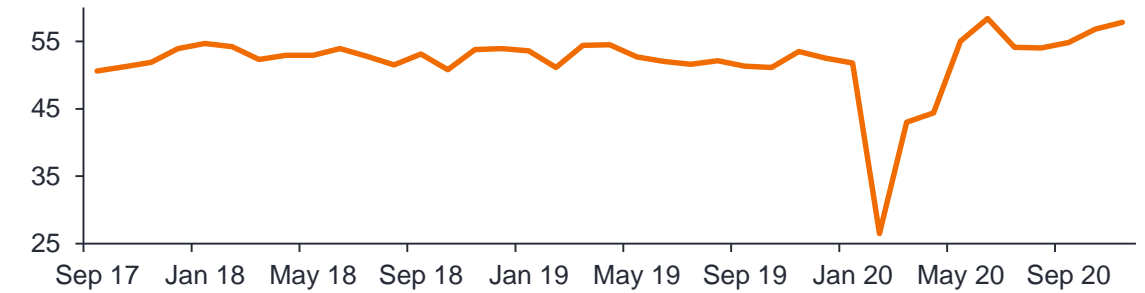
A big impact from lockdown – but a fast recovery

## China Caixin Manufacturing PMI



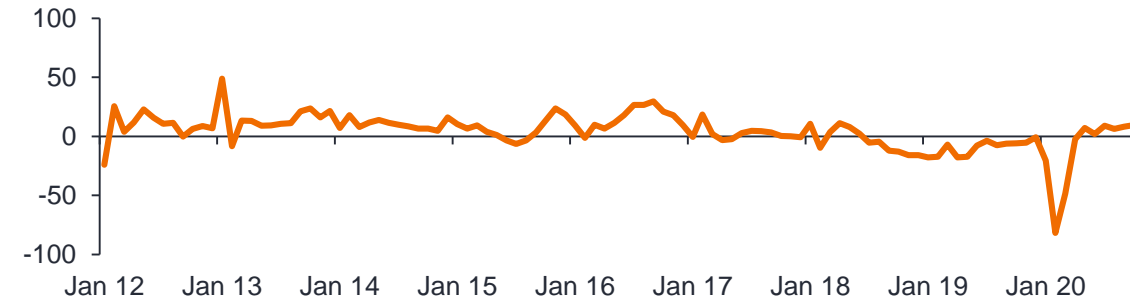
Source: Bloomberg, as at 30 November 2020

## China Caixin Service PMI



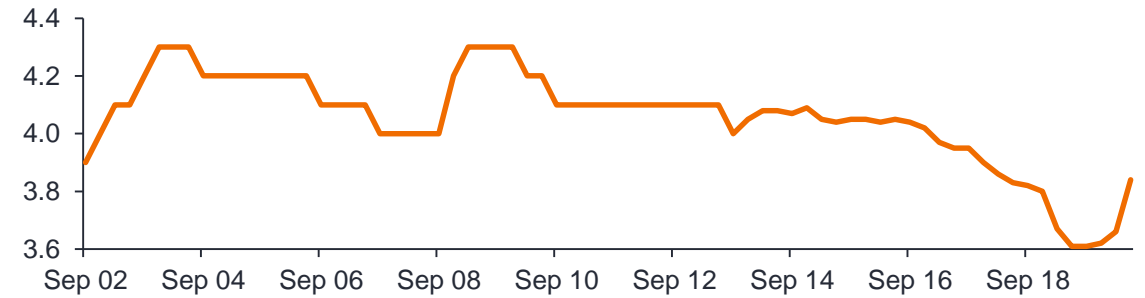
Source: Bloomberg, as at 30 November 2020

## China Commercial Car Sales YoY



Source: Bloomberg, as at 31 October 2020

## China Unemployment Rate



Source: Bloomberg, as at 30 June 2020



THE FUTURE LOOKS BRIGHT

# BIDEN VICTORY SEEN AS POSITIVE FOR ASIAN MARKETS

A Biden presidency and divided Congress can boost Asian stock markets

- Biden is likely to stabilise relations with China
- A divided Congress implies a low growth, low interest rate environment
- Asia's equity markets have responded positively to the US presidential election (and the vaccine news!)
- Expectations of the US dollar weakening in 2021 also lend support to Asia

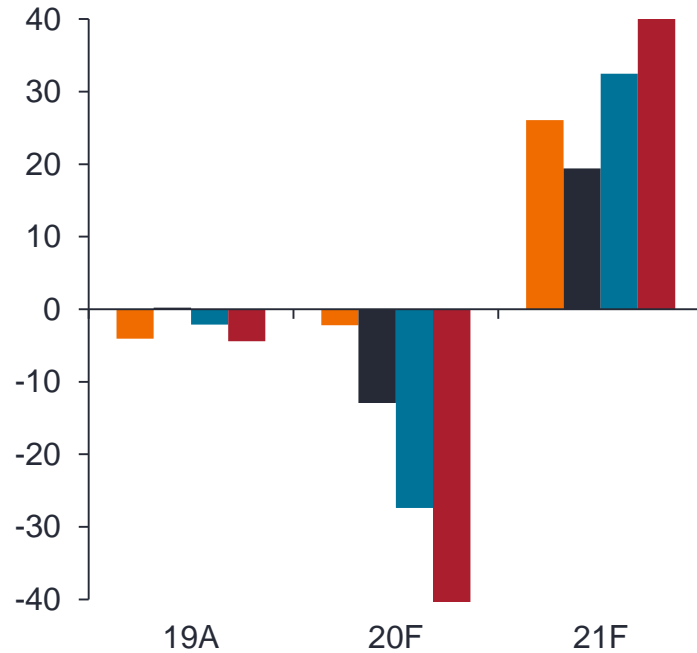




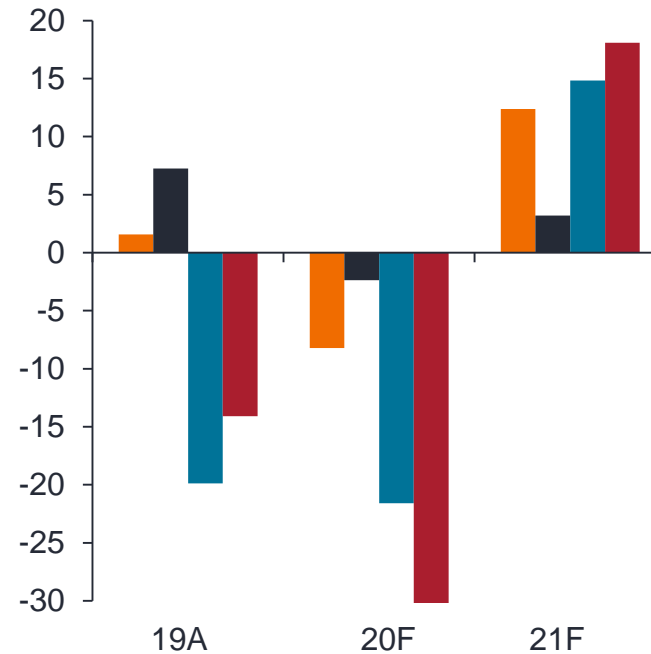
# MSCI GLOBAL GROWTH BY REGIONS

Earnings growth, dividends growth and Real GDP growth

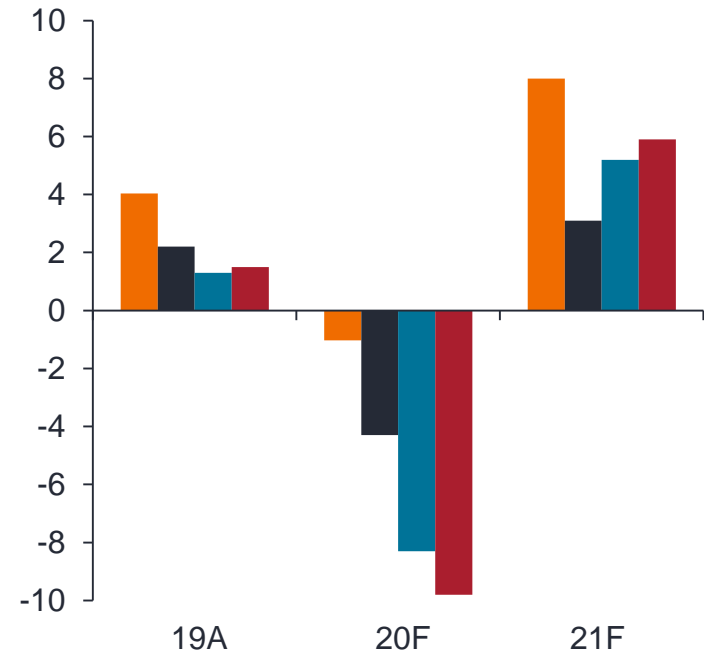
Earnings Growth (%)



Dividend Growth (%)



GDP Growth (%)



Asia ex-Japan United States Europe ex-UK United Kingdom

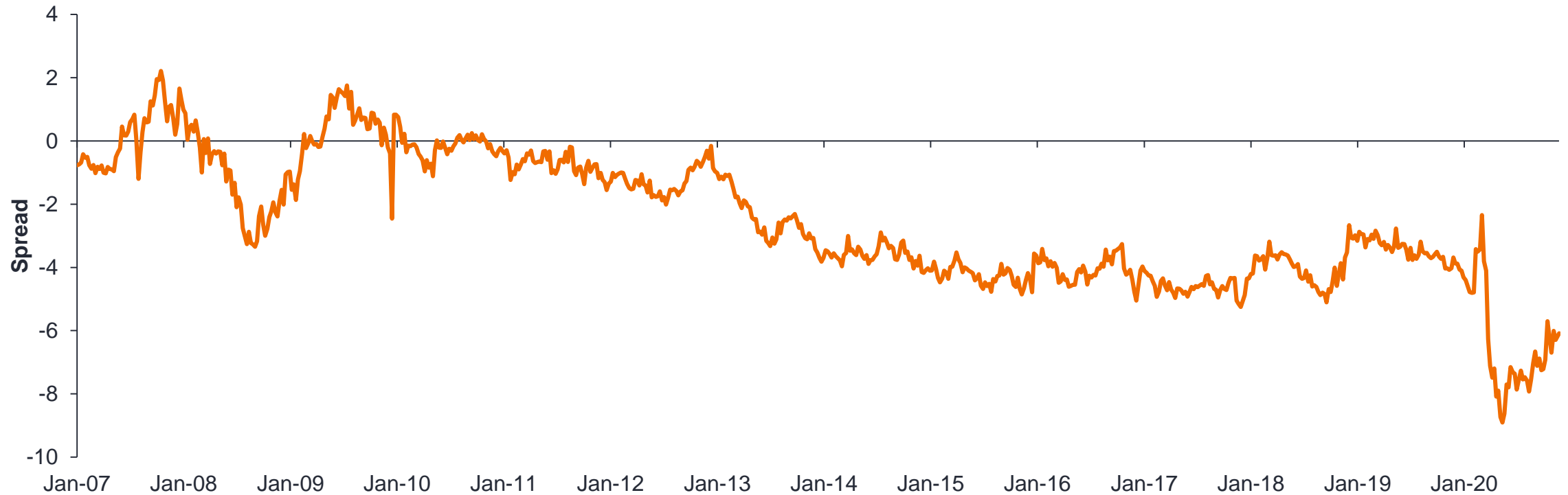
Source: Bloomberg, Jefferies, as at 31 October 2020

- Note:
- 1) Earnings growth and dividends growth are bottom-up aggregated with free-float adjustment using current MSCI universe
  - 2) GDP of global regions is sourced from IMF; GDP of Asia ex Japan is sourced from ADB calculated based on country weight in MSCI AC Asia ex Japan
  - 3) Current GDP growth for global region is sourced from OECD as the last updated IMF's GDP forecast is dated on Oct 2020

# VALUE PLAY

Asian stocks trade at a steep historical discount to US peers

MSCI AC Asia Pacific ex-Japan Index – S&P 500 Index 12 Month Forward PE Spread

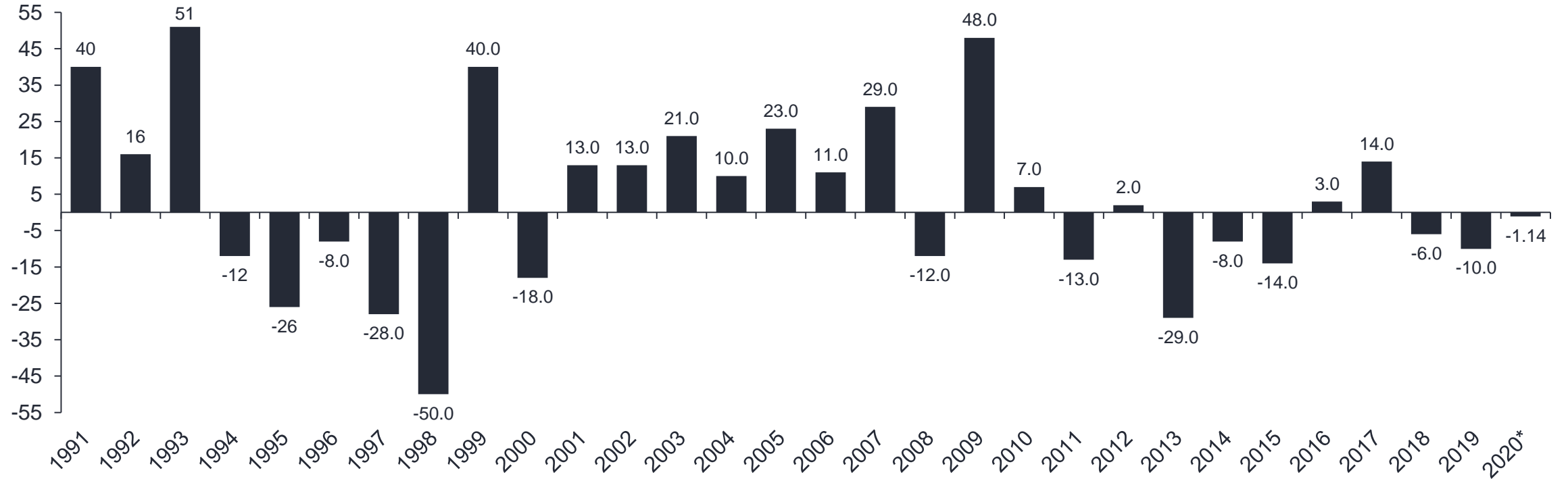


Source: Bloomberg, 9 December 2020

# IS NOW A GOOD TIME TO ROTATE INTO EM?

Emerging market equities have suffered a decade of underperformance

## Emerging Markets Relative Performance to Developed Markets Annually



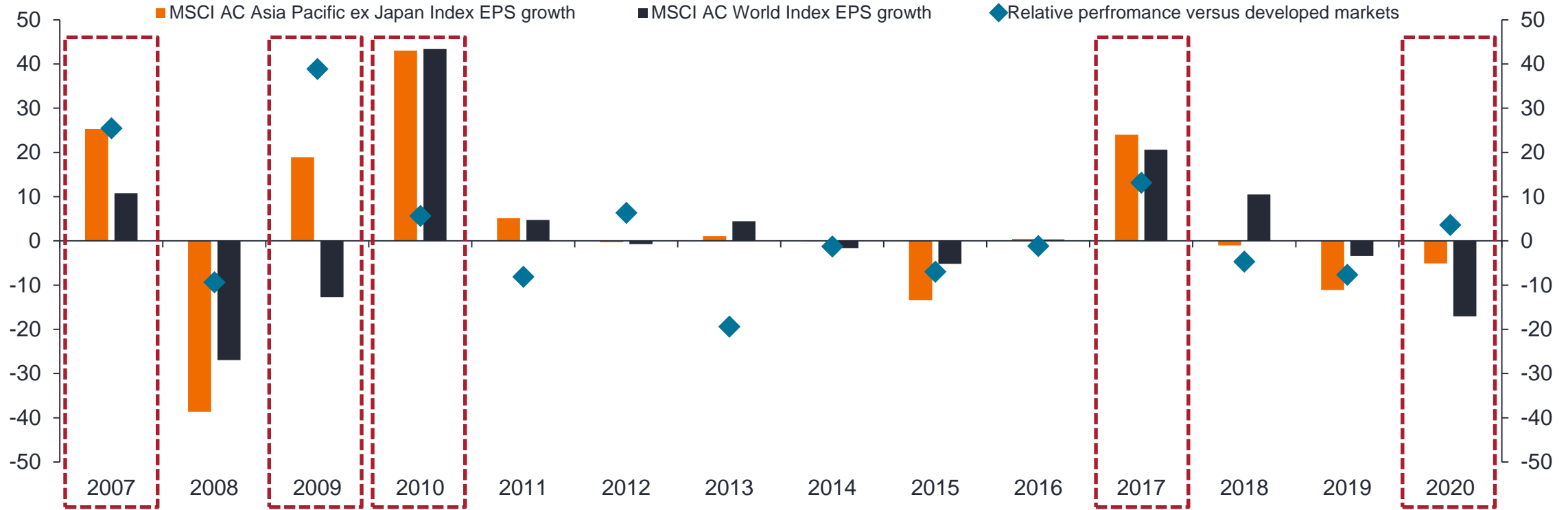
Source: Bloomberg. Returns in USD. 2020 data to 30 November 2020

Note: Emerging markets = MSCI Emerging Markets Index. Developed Markets = MSCI World Index

**Past performance is not a guide to future performance.**

# EPS GROWTH RELATIVE TO TOTAL RETURN

Asia and emerging markets tend to outperform developed markets when earnings growth is high and/or superior



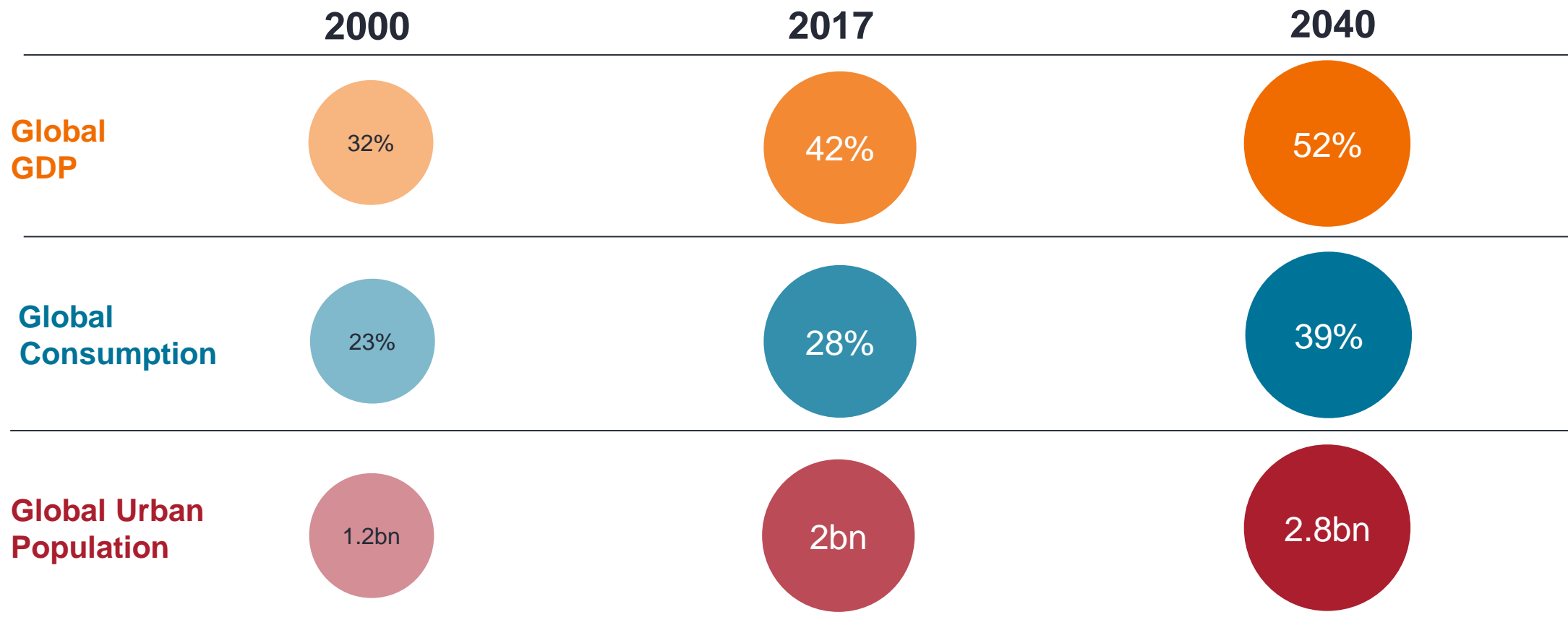
Source: Janus Henderson Investors, Bloomberg, as at 30 November 2020

Note: EPS= Earnings per share. Data provided in USD terms.

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# WHY ASIA? MUCH MORE TO GO!

Asia – already the worlds largest region.....and getting bigger



Source: McKinsey Global Institute analysis, Worldbank data

# GLOBAL SPOTLIGHT ON ASIA

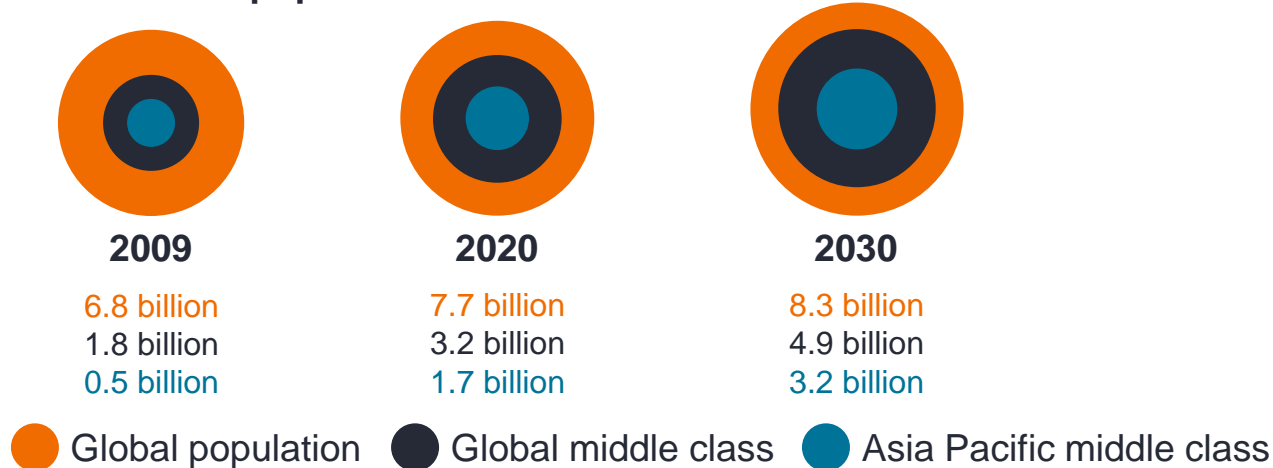


## The Population Story

In 1950 the life expectancy in China was 40 years, by 2050 it will have risen to 80 years. The growing middle class population across the Asia Pacific region is set to drive continuing consumer demand.

### GLOBAL POPULATION

Middle class in Asia increases from 28% to 66% of world middle class population



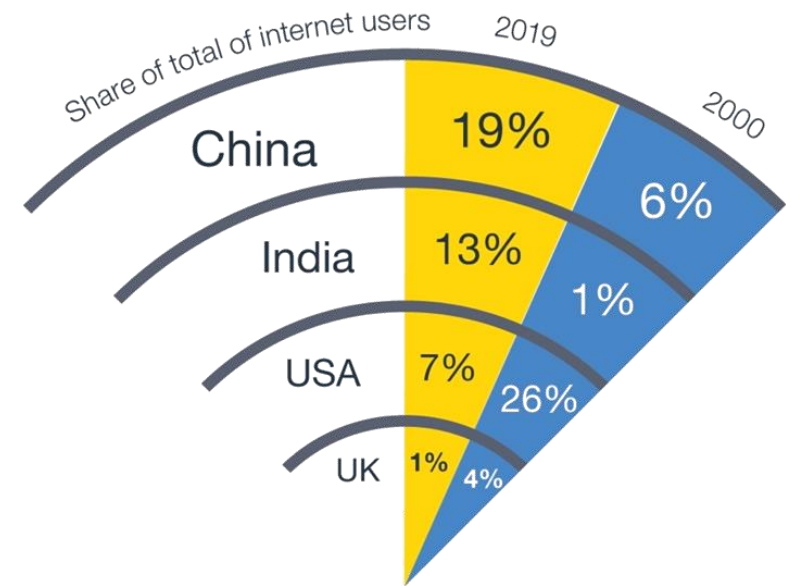
Note: Asia Pacific share of world spending projected to increase from 23% in 2009 to 59% by 2030



## The Technology Story

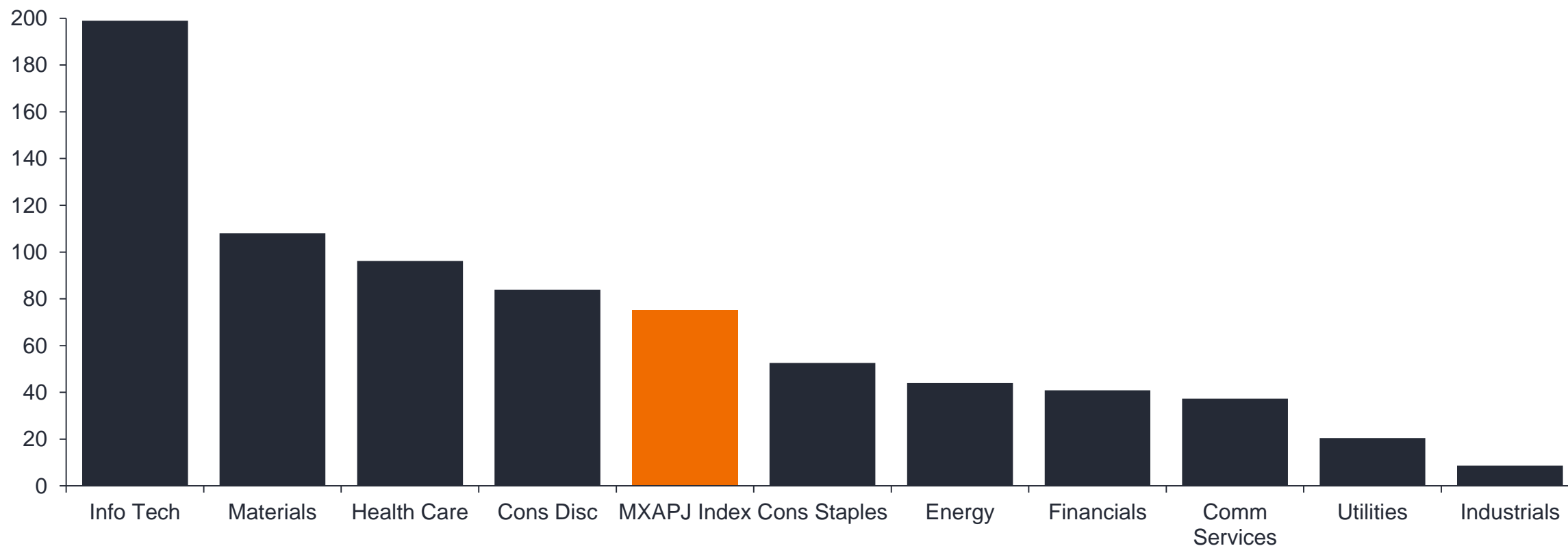
Technology has revolutionized virtually every industry in the economy and has significantly lowered the cost of doing business.

ASIA ACCOUNTS FOR **50%**  
of the world's total internet users



# TECHNOLOGY SECTOR HAS LED THE WAY IN ASIA

## MSCI Asia Pacific Ex-Japan 5-year Index Returns by Sector



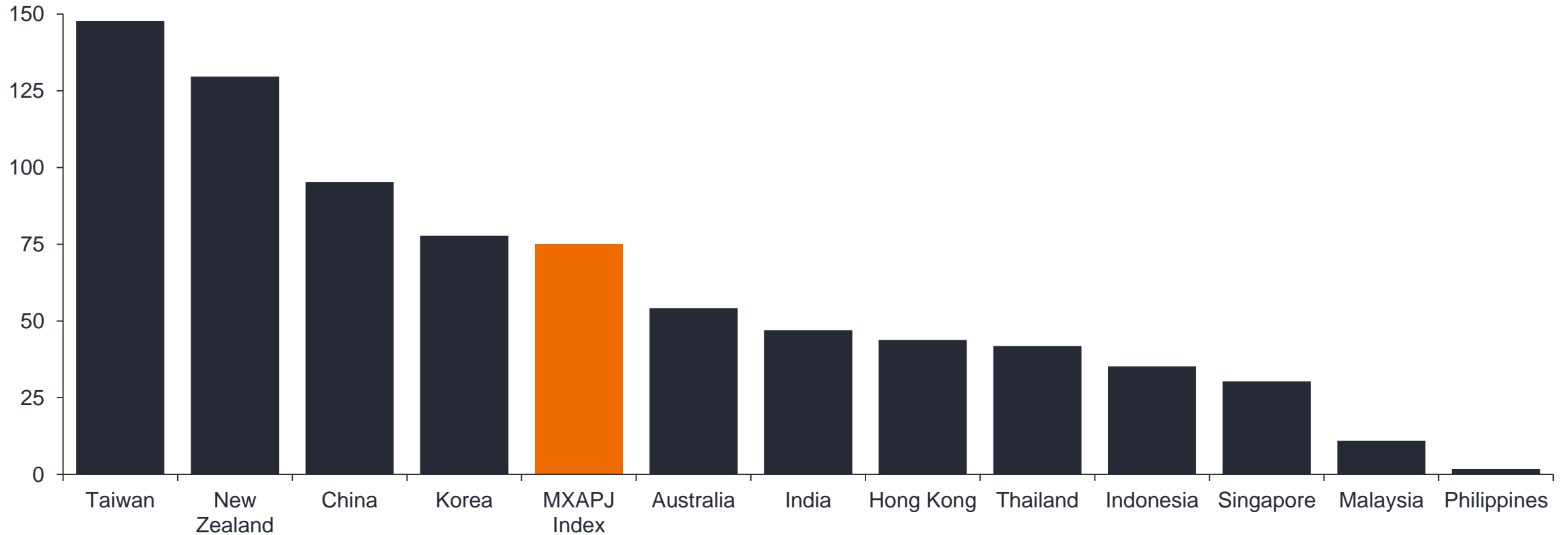
Source: Factset, as at 30 November 2020

Note: MXAPJ Index= MSCI AC Asia Pacific ex Japan Index

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# LACK OF TECHNOLOGY LEAVES SOUTHEAST ASIA UNLOVED

MSCI Asia Pacific Ex-Japan 5-year Index Returns by Country



Source: Factset, as at 30 November 2020

Note: MXAPJ Index= MSCI AC Asia Pacific ex Japan Index

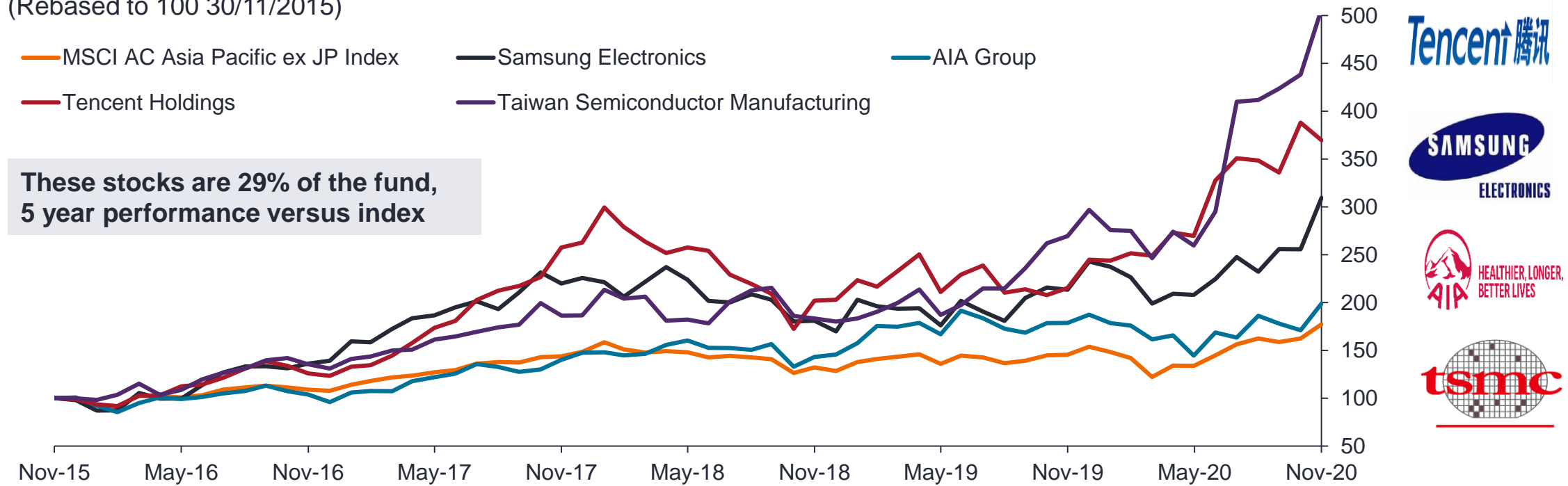
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# LONG-TERM QUALITY COMPOUNDERS

We believe that high quality companies, if bought at the right price, should produce outperformance over a three to five year time horizon

**Five Year Performance vs Index (%)**  
(Rebased to 100 30/11/2015)



Source: Bloomberg, 30 November 2020

Note: Figures rebased to 100 as at 30 November 2015. All figures in USD. All stocks held in excess of 5 years.

Reference to individual companies or any securities is purely for the purpose of information only and should not be construed as a recommendation to buy or sell the same.

**Past performance is not a guide to future performance.**

# APPENDIX

# BIOGRAPHY



## Andrew Gillan

### Head of Asia ex-Japan Equities | Portfolio Manager

Andrew Gillan is Head of Asia ex Japan Equities and a Portfolio Manager at Janus Henderson Investors responsible for the Asia Equity strategy. He has held this position since joining Henderson in 2014. Prior to Henderson, he was with Aberdeen Asset Management as an Asia and emerging markets equity fund manager and served as lead manager of an Asian investment trust. Before this, he was a graduate trainee in the UK equities division at Murray Johnstone.

Andrew received an MA in French and European history with joint honours from the University of Edinburgh. He has 21 years of financial industry experience.

Source: Janus Henderson, as at 31 December 2020

# ASIA PACIFIC CAPITAL GROWTH FUND

Annualised Performance (%)	I Acc GBP (Net)	Index	I Acc GBP (Gross)	Target (Gross)*
5 Year	15.48	14.56	16.51	16.85
10 Year	8.06	8.15	9.08	10.32
Since Inception	11.65	9.78	12.67	11.97

Discrete Performance (%)	I Acc GBP (Net)	Index	I Acc GBP (Gross)	Target (Gross)*
30 Sep 2019 – 30 Sep 2020	11.16	8.55	12.15	10.73
30 Sep 2018 – 30 Sep 2019	5.61	4.24	6.56	6.34
30 Sep 2017 – 30 Sep 2018	6.31	5.17	7.26	7.27
30 Sep 2016 – 30 Sep 2017	16.95	17.14	18.00	19.48
30 Sep 2015 – 30 Sep 2016	40.85	38.06	42.11	40.83

## Index Description

The MSCI All Countries Asia-Pacific (Ex Japan) Index is a measure of the combined performance of large and medium sized companies across developed and emerging stock markets across the Asia-Pacific region but excluding Japan. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.

Source: Janus Henderson Investors, as at 30 November 2020, discrete performance as at 30 September 2020

Note: Since inception date: 28 September 1990

Index: MSCI All Countries Asia-Pacific (Ex Japan) Index, usage: target, comparator

**\*Performance target: To outperform the MSCI All Countries Asia Pacific ex Japan Index by at least 2% per annum, before the deduction of charges, over any 5 year period.**

Performance/performance target related data will display only when relevant to the fund/share class inception date and the annualised target time period.

Please note the performance target is to be achieved over a specific annualised time period.

Performance fees may be charged before the Fund's outperformance target is reached.

Discrete performance data may change due to final dividend information being received after quarter end if applicable.

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## Contact us

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