

Janus Henderson China Opportunities Fund

January 2021

For promotional purposes

Fund Manager Name

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Macro backdrop

It has been over a year since the onset of COVID-19 in the city of Wuhan. With higher numbers of cases in specific locations in China since late 2020 and into early 2021, the authorities have moved quickly to tighten travel restrictions ahead of the Chinese New Year to discourage holiday travel during the peak travel season from end of January to early March. Initial estimates put inter-city and cross regional travel volumes as being down more than 70% from the start of last year's peak travel season.

Producer prices finally turned a corner after almost a year and a half of producer price deflation with January's producer price index (PPI) back in positive territory, recording a slight 0.3% gain. Rising PPIs tend to be positive for industrial profits. Core consumer price index (CPI) on the other hand remained weak, contracting slightly in January.

In the asset markets, new fund issuance strength carried on from last year with new funds raised by mutual funds staying at a high level. As these funds are allowed to allocate close to 50% of assets into the Hong Kong market, January started with large southbound inflows with estimates at close to \$40 billion for the first 20 trading days of the new year.

Fund performance and activity

The fund gained 5.9% while the MSCI Zhong Hua 10/40 Index benchmark rose 5.3% and the IA China/ Greater China sector was up 6.2%.

Sany Heavy, Longi Green and Netease contributed positively to performance over the month. Not owning Xiaomi also contributed as the stock performed poorly following news that it would be added to the executive order's list of companies deemed to be linked to the Chinese military. Detractors from performance included Zhongsheng Group, New Oriental Education and Minth Group.

We initiated a position in Beijing Oriental Yuhong, a leading water-proof coating materials company. Beijing Oriental Yuhong's end markets are the infrastructure and real estate markets where it continued to pick up market share. Yuhong is largely focused on the larger tier cities. The company continues to develop its sales and distribution network in the lower tier cities which helps give it access to a large addressable market. We also invested in Luxshare Precision, a leading Chinese electronic component and electronic manufacturing service provider, which continued to add new components and electronic manufacturing services to its product and service offering. Elsewhere, we reduced the positions in Anhui Conch Cement, Sands China and Sany Heavy Industry and reinvested the proceeds into ASM Pacific, Topsports and Minth Group.

Outlook/strategy

The effects of COVID-19 continue to linger and this is impacting mobility over the peak Chinese New Year season where inter-province and inter-city travel have been discouraged. This is likely to impact domestic consumption to some extent, but we still expect production to be fairly strong as factories restart earlier following the holidays.

Both the domestic onshore A-share market, and offshore Chinese equities in Hong Kong and the US, have continued to build on last years gains in the first several weeks of this year. Mutual fund issuance continued to be strong with southbound flows into the Hong Kong market. Household savings are finding their way into asset markets in China with the stock markets having a strong start to the year and property transactions also doing better than feared. The timing of when regulators start to take action to reduce liquidity will be key.

The strong gains in the market have narrowed our opportunity set as many stocks have had a significant re-rating. We continue to focus on resilience of businesses and strength of management teams. We are also focused on businesses which have been impacted by COVID-19 but which we expect to do better as economies eventually restart and recover from shutdowns.

Source: Janus Henderson Investors, as at 31 January 2021

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Fund information

Index MSCI Zhong Hua 10/40 Index
Index usage Target, Comparator

The MSCI Zhong Hua 10/40 Index is a measure of the combined performance of large and medium sized companies listed on Hong Kong and Chinese stock markets re-weighted from the parent index by the benchmark provider to align with the UCITS fund investment restrictions. 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.

Peer group benchmark IA China/Greater China Equity
Peer group benchmark usage Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Objective The Fund aims to provide a return, from a combination of capital growth and income over the long term.

Performance target To outperform the MSCI Zhong Hua 10/40 Index by 2.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (GBP)

Performance %	I (Net)	Index	Peer group	Quartile ranking	I (Gross)	Target (Gross)
1 month	5.9	5.3	6.2	3rd	-	-
YTD	5.9	5.3	6.2	3rd	-	-
1 year	38.7	35.9	46.6	3rd	-	-
3 years (annualised)	8.5	8.5	12.2	3rd	-	-
5 years (annualised)	21.3	19.3	21.6	2nd	22.4	22.3
10 years (annualised)	11.0	10.3	10.2	2nd	12.0	13.0
Since inception 31 Mar 1983 (annualised)	13.5	-	12.6	-	14.5	-

Source: at 31 Jan 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Discrete year performance %	I (Net)	Index	Peer group	I (Gross)	Target (Gross)
31 Dec 2019 to 31 Dec 2020	25.6	23.6	32.8	26.7	26.7
31 Dec 2018 to 31 Dec 2019	23.8	16.1	22.3	24.8	19.0
31 Dec 2017 to 31 Dec 2018	-17.2	-11.0	-14.3	-16.4	-8.8
31 Dec 2016 to 31 Dec 2017	41.2	36.4	36.5	42.4	39.8
31 Dec 2015 to 31 Dec 2016	24.3	21.1	19.1	25.4	24.1

Source: at 31 Dec 2020. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

From 1 July 2020, the Fund's benchmark changed. Past performance shown before 1 July 2020 was achieved under circumstances that no longer apply.

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

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Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

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Important information

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