

# Janus Henderson China Opportunities Fund

Q4 2020

For promotional purposes

## Fund Manager Name

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## Macro backdrop

The fourth quarter continued to see a strong pick up in economic activity indicators. The recovery in China broadened out to private consumption with manufacturing investment also starting to improve, as growth moved beyond infrastructure, property and construction sectors which all did well in the early stage of recovery following the initial lockdown. Exports continued to be an area of strength as despite a fall in global trade and growth China's exports grew strongly. This was largely due to its share gains as the country's supply chains remained opened and functioning while the rest of the world was under restrictions.

China's Economic Work Conference in mid-December stressed "demand side reform" which refers to boosting consumption through job creation, improving social security and easing income inequality. The conference reiterated China's need for "dual circulation", meaning self-sufficiency and domestic demand, as a top priority to sustain growth. It also made clear that its goal is to stabilise leverage in the economy in 2021 and that there would be no significant policy change after 2020's much looser monetary and fiscal policies.

The role of the state and party was evident in the abrupt cancellation of Ant Group's initial public offering (IPO) in the first week of November. This served as a reminder that the internet giants have grown so big, and impact so many facets of the economy, that their dominance of certain industries will only invite greater regulatory scrutiny which their offline counterparts have already had to contend with. Antitrust regulations on large internet platforms in order to ensure that they do not stifle growth of small offline merchants, along with Alibaba being served notice to restructure its fintech business, raised concerns over the future of the group as it was perceived as a sign that the company had lost its political backing.

## Fund performance and activity

The fund gained 7.1% while the MSCI Zhong Hua 10/40 Index benchmark gained 9.3% and the IA China/ Greater China sector was up 10.4%.

Contributors to fund performance were Sany Heavy Industry, Midea Group and Sunny Optical Technology. Not owning Pinduoduo, Nio and Baidu detracted as these stocks performed strongly over the quarter.

We closed our positions in China Resources Land, Lepu Medical and ZTO Express and reduced positions in Alibaba, Anhui Conch Cement, CNOOC and Yutong Bus. We reinvested proceeds into China Merchants Bank, Huayu Automotive and Shanghai International Airport and topped up holdings in Geely Automobile, Ping An Insurance and Shenzhou International.

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## Outlook/strategy

The Chinese economy coped with the pandemic effectively due to the government's zero tolerance approach to containment. By the second quarter of 2020 the economy was already above its pre-pandemic level. Therefore, we expect policy tapering this year through the reversal of China's loose credit and fiscal policies of last year. Already we have seen measures in the property sector to control leverage of developers as well as financing to potential home buyers through maximum loan caps at the banks.

A successful vaccine roll-out and subsequent herd immunity will be key for the reopening of global economies and global growth. China's domestic growth is somewhat less dependent on a successful vaccine roll-out, but its external economy, and as a result private investments, will benefit from global recovery.

As we write the domestic onshore markets are off to a strong start for the year, with domestic mutual fund sales in just the first week of January amounting to close to 100 billion renminbi. While liquidity and new fund raising remains strong, we are also cognisant that multiples for many of China's blue-chip and leading companies in the domestic market are above their long-term averages. In a year where we expect policymakers to attempt to normalise the easy monetary and fiscal policies of the previous year, we do not expect big moves for the market as a whole. We think stock-specific opportunities and earnings growth rather than multiple re-ratings are likely to lead specific companies to perform.

Source: Janus Henderson Investors, as at 31 December 2020

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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	2.0	1.9	4.1	4th	-	-
YTD	25.6	23.6	32.6	3rd	-	-
1 year	25.6	23.6	32.6	3rd	-	-
3 years (annualised)	8.8	8.5	11.6	3rd	-	-
5 years (annualised)	17.7	16.1	17.7	2nd	18.7	19.0
10 years (annualised)	10.0	9.5	9.3	2nd	11.0	12.2
Since inception 31 Mar 1983 (annualised)	13.4	-	12.5	-	14.3	-

Source: at 31 Dec 2020. © 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	32.6	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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