COMMENTARY

Janus Henderson Horizon Asian Dividend Income Fund

Q3 2020

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For US Financial Professionals servicing non-US persons

Fund Managers Names

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Macro backdrop

The first two months of the quarter witnessed positive market performance supported by a weakening of the US dollar, excess money supply and tentative signs that re-opening of major economies following a period of lockdown was creating a demand-led recovery. The US Federal Reserve (Fed) once again announced an adjustment to monetary policy with a shift from flexible inflation targeting to average inflation targeting, which helped market sentiment.

However, September bucked the trend with a sharp correction following a resurgence in global virus cases, uncertainty created by the impending US election and tensions between the US and China with respect to technology. A strengthening US dollar in September was another negative development for Asian markets. The numbers for Asia were somewhat better with Chinese GDP returning to growth in the second quarter while trade numbers across the region reflected an improvement in activity following lockdowns.

North Asia performed significantly better in the period with China, Taiwan and Korea, in particular, leading the way. Korea was an outlier with strong performance supported by an improvement in earnings outlook and resilient demand for domestic equities from retail investors. ASEAN once again produced some of the weakest market performers in the month with Thailand and Indonesia the weakest in Asia by some considerable distance.

By sector, the usual suspects of financials and energy were the weakest as the oil price slipped in September and the outlook for margins and loan losses at banks deteriorated amid the impact of the virus. Technology, consumer discretionary, materials and health care were the leading sectors in the quarter.

Fund performance and activity

The fund rose 1.9% over the quarter, outperforming the MSCI All Country Asia Pacific ex Japan High Yield Index benchmark which fell 0.7%, but underperforming the EAA Asia Pacific ex Japan Income peer group which rose 6.8%.

Market performance continues to be very narrow with the technology, health care and consumer discretionary sectors continuing to lead the way, which is not beneficial for income-focused strategies. This is reflected in the continued outperformance of the broad MSCI All Country Asia Pacific Index compared to the high yield equivalent, which in the quarter amounted to around a 10% differential in performance.

In the quarter we reduced the fund's positions in Chinese banks and added Hong Kong, China and regional insurer AIA to the portfolio following periods of relative underperformance. We also sold Australian property company Stockland due to reservations around pricing sustainability in the residential market, and we sold infrastructure and utilities company CK Infrastructure.

We added Taiwan server and notebook manufacturer Quanta Computer to the portfolio owing to a positive demand outlook for servers and an attractive dividend yield. We also purchased Sun Hung Kai Properties in Hong Kong which appeared attractive to us on valuation and yield grounds, following a period of weakness. We also added Mapletree Logistics Trust, a Singapore REIT which is exposed to the highly attractive growth of ecommerce, and which also offers a respectable yield. Elsewhere, we sold the position in CTBC Financial in Taiwan in line with our focus on reducing financials exposure given the uncertainty on margins and loan loss provisions which are expected to rise.

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Outlook/strategy

We are positive on Asia Pacific equity markets in the medium to long term, especially on a relative basis against other regions on valuation grounds and the ability for a sustained recovery as and when COVID-19 case numbers fall. In the short term we expect volatility to continue as markets digest the duration of the virus and its impact on economic growth and stability. Corporate earnings are likely to come under pressure in the short term although we are confident the dividends will prove more resilient considering the excess cash being generated and the low level of dividends paid out compared to earnings. We remain focused on domestically orientated companies with strong cash flow and sustainable and growing dividends.

Source: Janus Henderson Investors, as at 30 September 2020

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Fund information

Index	MSCI All Countries Asia Pacific Ex Japan High Dividend Yield Index
Morningstar sector	Europe OE Asia-Pacific ex-Japan Equity
Objective	The Fund aims to provide an income in excess of the income generated by the MSCI AC Asia Pacific ex Japan High Dividend Yield Index with the potential for capital growth over the long term (5 years or more).

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking
1 month	-4.5	-5.1	-2.5	4th
YTD	-14.5	-13.9	-5.5	4th
1 year	-8.3	-6.2	2.0	4th
3 years (annualised)	-1.7	-1.8	0.9	4th
5 years (annualised)	4.4	6.2	6.6	4th
10 years (annualised)	2.4	3.3	4.5	4th
Since inception 26 Oct 2006 (annualised)	4.7	5.0	5.7	-

Source: at 30 Sep 2020. © 2020 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.

Calendar year returns %	A2 (Net)	Index	Sector
2019	19.1	14.6	16.4
2018	-11.7	-11.0	-11.9
2017	28.5	37.0	28.4
2016	1.5	6.8	6.7
2015	-9.9	-9.2	-10.2

Source: at 30 Sep 2020. © 2020 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.

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

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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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact sales.support@janushenderson.com or visit our website: www.janushenderson.com.

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The information in this commentary does not qualify as an investment recommendation.

Important information

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