

# Janus Henderson Horizon China Opportunities Fund

September 2020

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For professional investors only

## Fund Managers Names

May Ling Wee, CFA

## Macro backdrop

The September purchasing managers' indices (PMI) data in China showed sustained strength. The service PMI (excluding construction) reached just above 55 and the small business PMI, which is representative of private businesses, crossed 50 which indicated better business confidence among private sector businesses. Domestic tourist numbers dropped by 21% and tourism revenue fell by 30% over the much-anticipated Golden Week holiday when compared to last year. However, this was still up on May's Golden Week holiday.

As a reminder that the government is serious about cutting leverage in the real estate sector, there were local media reports of the regulators asking banks to keep property-related loans at under 30% of new loans issued. The Evergrande incident, where Evergrande Group (China's second largest and heavily indebted developer) managed to persuade its strategic investors to hold on to equity in the firm or otherwise risk a cash crunch, underscores the governments' commitment to reducing financial risks and control land prices. Evergrande's financial ratios exceeded the "three red lines" proposed by the government which will restrict the ability of individual developers to access credit.

The yuan continued its appreciation over the quarter relative to both the US dollar and the China Foreign Exchange Trading System (CFETS), likely driven by portfolio inflows into Chinese bond markets, China's merchandise trade surplus, and investors' views that the US-China trade disputes have so far not had a direct impact on exchange rates. In terms of this latter point, measures have focused on the technology sector rather than broad-based tariffs or financial sanctions.

## Fund performance and activity

The fund fell 3.4% compared to the MSCI Zhong Hua Index benchmark which fell 3.7% and the EAA Fund China Equity peer group which fell 3.5%.

Longi Green Energy, Sany Heavy and Longfor Group contributed to performance over the month. China's stated target of reaching peak carbon emissions before 2030 and carbon neutrality by 2060 led to increased expectations of wind and solar capacity additions which drove Longi Green's share price. Sany Heavy performed well on the back on strong construction machinery sales numbers while Longfor Group reacted to resilient real estate transactions.

Detractors over the month were Sands China and Galaxy Entertainment due to weaker than expected Golden week bookings, and tightness in liquidity in the junket system as the government continued its crackdown on financial outflows from China. Budweiser APAC also performed poorly as the company started to guide down on beer sales over the quarter in Korea and India due to COVID-19, while sales in China continued to recover.

Over the month we took profits in Hong Kong Exchanges and Clearing, and trimmed back Galaxy Entertainment and Budweiser APAC. We reinvested the proceeds into A-Living Services and Minth Group and topped up our holdings in Shenzhou International.

## Outlook/strategy

The recovery in China appears to be broadening out from infrastructure and property investment as we have seen improving consumption data, although it is still lower than last year's levels. As we write following the Golden Week, both onshore and offshore Chinese asset markets have been buoyant, with bankers busy over the Golden Week holiday. The deal pipeline is full to January next year, which seems understandable given the buoyant markets and strong investor appetite for Chinese paper.

Onshore and offshore growth stocks continued to re-rate, leaving the risk-reward profile of many of these shares less attractive to us. However, we note that weak upcoming earnings in some names have led to poorer performance, and that some otherwise strong franchises that are either restructuring or still facing reduced demand levels due to COVID-19 still trade at attractive valuations. Dispersion is high and we feel we can still find pockets of opportunity in the market.

Source: Janus Henderson Investors, as at 30 September 2020

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## Fund information

Index	MSCI Zhong Hua 10/40 Index
Morningstar sector	Europe OE China Equity
Objective	The Fund aims to provide capital growth 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 (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	-3.4	-3.7	-3.5	2nd	-	-
YTD	14.0	13.0	17.6	3rd	-	-
1 year	28.3	29.6	31.8	3rd	-	-
3 years (annualised)	6.1	6.8	7.6	3rd	-	-
5 years (annualised)	12.9	12.8	12.2	2nd	15.1	13.0
10 years (annualised)	6.3	6.9	5.4	2nd	8.3	7.0
Since inception 25 Jan 2008 (annualised)	7.4	5.5	4.3	-	9.4	5.6

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.

Discrete year performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
30 Sep 2019 to 30 Sep 2020	28.3	29.6	31.8	30.7	30.5
30 Sep 2018 to 30 Sep 2019	-7.9	-3.9	-2.5	-6.2	-3.9
30 Sep 2017 to 30 Sep 2018	1.2	-2.2	-3.2	3.1	-2.2
30 Sep 2016 to 30 Sep 2017	26.1	33.0	26.7	28.5	33.0
30 Sep 2015 to 30 Sep 2016	21.9	12.9	12.7	24.2	12.9

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.

From 1 July 2020, the fund name changed from Janus Henderson Horizon China Fund to Janus Henderson Horizon China Opportunities Fund. From 1 July 2020, the Fund's investment policy, reference benchmark and performance target changed. Past performance shown before 1 July 2020 was achieved under circumstances that no longer apply.

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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.**

# Janus Henderson Horizon China Opportunities Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: [www.janus Henderson.com](http://www.janus Henderson.com).

## Benelux

Janus Henderson Investors  
Tel: +31 20 675 0146  
Fax: +31 20 675 7197  
Email: [info.nederlands@janushenderson.com](mailto:info.nederlands@janushenderson.com)

## France/Monaco

Janus Henderson Investors  
Tel: +33 1 53 05 41 30  
Fax: +33 1 44 51 94 22  
Email: [info.europe.francophone@janushenderson.com](mailto:info.europe.francophone@janushenderson.com)

## Germany/Austria

Janus Henderson Investors  
Tel: +49 69 86 003 0  
Fax: +49 69 86 003 355  
Email: [info.germany@janushenderson.com](mailto:info.germany@janushenderson.com)

## Dubai

Janus Henderson Investors  
Tel: +9714 401 9565  
Fax: +9714 401 9564  
Email: [JanusHenderson-MEACA@janushenderson.com](mailto:JanusHenderson-MEACA@janushenderson.com)

## Hong Kong

Janus Henderson Investors  
Tel: +852 2905 5188  
Fax: +852 2905 5138  
Email: [marketing.asia@janushenderson.com](mailto:marketing.asia@janushenderson.com)

## Italy

Janus Henderson Investors  
Tel: +39 02 72 14 731  
Fax: +39 02 72 14 7350  
Email: [info.italy@janushenderson.com](mailto:info.italy@janushenderson.com)

## Latin America

Janus Henderson Investors  
Tel: +44 20 7818 6458  
Fax: +44 20 7818 7458  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

## Nordics

Janus Henderson Investors  
United Kingdom  
Tel: +44 20 7818 4397  
Fax: +44 20 7818 1819  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

## Singapore

Janus Henderson Investors  
Tel: +65 6836 3900  
Fax: +65 6221 0039  
Email: [marketing.asia@janushenderson.com](mailto:marketing.asia@janushenderson.com)

## Spain/Portugal/Andorra

Janus Henderson Investors  
Tel: +34 91 562 6172  
Fax: +34 91 564 6225  
Email: [info.iberia@janushenderson.com](mailto:info.iberia@janushenderson.com)

## Switzerland

Janus Henderson Investors  
Tel: +41 43 888 62 62 (Zurich office)  
Tel: +41 22 810 82 89 (Geneva office)  
Email: [info.switzerland@janushenderson.com](mailto:info.switzerland@janushenderson.com)

## United Kingdom

Janus Henderson Investors  
Tel: +44 20 7818 1818  
Fax: +44 20 7818 1819  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

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A copy of the Fund's prospectus, key investor information document, articles of incorporation, annual and semi-annual reports can be obtained free of cost from the local offices of Janus Henderson Investors: 201 Bishopsgate, London, EC2M 3AE for UK, Swedish and Scandinavian investors; Via Dante 14, 20121 Milan, Italy, for Italian investors and Roemer Visscherstraat 43-45, 1054 EW Amsterdam, the Netherlands. for Dutch investors; and the Fund's: Austrian Paying Agent Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna; French Paying Agent BNP Paribas Securities Services, 3, rue d'Antin, F-75002 Paris; German Information Agent Marcard, Stein & Co, Ballindamm 36, 20095 Hamburg; Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; Spanish Representative Allfunds Bank S.A. Estafeta, 6 Complejo Plaza de la Fuente, La Moraleja, Alcobendas 28109 Madrid (Registered in Spain under CNMV 353. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.); Singapore: Singapore Representative Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; or Swiss Representative BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich who are also the Swiss Paying Agent. RBC Investor Services Trust Hong Kong Limited, a subsidiary of the joint venture UK holding company RBC Investor Services Limited, 51/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, Tel: +852 2978 5656 is the Fund's Representative in Hong Kong. [Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge Shared, Knowledge Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.