

Janus Henderson Horizon China Opportunities Fund

September 2021

For promotional purposes
For US Financial Professionals servicing non-US persons

Fund Managers Names

May Ling Wee, CFA, Lin Shi

Macro backdrop

It was another difficult month for the Chinese asset class. This time attention shifted to the property sector and contagion risks with private property developer, Evergrande Group, failing to make interest payments to its onshore banks and offshore bondholders. While the first priority of the local governments is to make good on units sold to Evergrande's home buyers by trying to facilitate project completion, Evergrande's inability to pay its interest due, as well as smaller developer Fantasia's default, could temper buyer confidence in the property markets as some developers lower prices to move units and bring in cash flow.

With Evergrande and the slowing property sector causing unease among investors, a new concern brought about by power rationing surfaced not long after. The current electricity outages are not caused by a lack of coal fired power capacity in China, but rather the lack of profit - and therefore cash - to produce as current power tariffs do not compensate power producers for power produced at today's coal price. With domestic coal production weak, the absence of coal imports from Australia, and local governments adamant on reaching their energy reduction targets, intermittent power rationing or outages might be expected to persist through the rest of the year, impacting output and growth.

Meanwhile, September's manufacturing purchasing managers' indices (PMI) fell to below 50 while China's producer price index (PPI) will likely reach a new high with rising commodity prices. However, China's consumer price index (CPI) remains muted, suggesting a likely profit squeeze in downstream industries but relative strength among upstream companies.

Fund performance and activity

The fund fell 4.1% while the MSCI Zhong Hua 10/40 Index benchmark fell 5.0% and the IA China/Greater China sector fell 3.9%.

Onshore listed Shenzhen Mindray Biomedical, Midea Holdings and Luxshare Precision made gains and contributed positively over the month. Galaxy Entertainment and Netease were the largest detractors over the month, both suffering from concerns around regulatory scrutiny. In Galaxy's case, the public consultation paper ahead of license renewals raised concerns that the industry would be more tightly regulated than before, while the occurrence of COVID-19 cases in Macau led to tighter border restrictions. Shares in online game developer Netease were weak likely due to concerns around monetisation caps on online games.

Over the month we reduced holdings in Galaxy Entertainment, Netease and Minth, reinvesting the proceeds into Nari Technology and China Jushi while topping up China Mengniu, Shenzhen Mindray Biomedical and Bosideng.

Outlook/strategy

The failure of Evergrande and smaller property developer, Fantasia, to meet interest payments will continue to weigh on the property sector and also raises the question of the impact of the slowing property market on the economy. Meanwhile, rationing in the power sector will be a headwind to growth as these power outages are likely to persist through the winter season. While the economy continues to weaken, we note that the government has started slight easing in fiscal and monetary policy, although the extent of how much and how soon they will ease is the question. We do note that while the economy will likely continue to be weak into the first half of 2022, the markets tend to bottom when credit growth eases and inflects. Amid the regulatory headwinds and slowing growth, we believe there are strong franchises around where business models are not damaged and where valuations have adjusted, warranting further investigation. Some of these businesses have the potential to continue to do well over a one to two-year time frame despite likely adjustments to nearer-term earnings.

Source: Janus Henderson Investors, as at 30 September 2021

Janus Henderson Horizon China Opportunities Fund

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	-4.1	-5.0	-3.9	2nd	-	-
YTD	-18.0	-13.3	-11.8	4th	-	-
1 year	-7.0	0.2	2.9	4th	-	-
3 years (annualised)	3.2	7.7	9.8	4th	-	-
5 years (annualised)	7.0	10.2	10.2	4th	9.0	10.9
10 years (annualised)	10.6	9.0	8.5	1st	12.7	9.3
Since inception 25 Jan 2008 (annualised)	6.2	5.1	4.2	-	8.3	5.4

Source: at 30 Sep 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.

Calendar year returns %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
2020	29.2	30.6	37.4	31.8	32.3
2019	25.9	23.5	23.3	28.3	23.5
2018	-24.9	-18.9	-20.3	-23.5	-18.9
2017	52.0	54.1	46.5	54.9	54.1
2016	0.4	0.9	-1.9	2.4	0.9

Source: at 30 Sep 2021. © 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.

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.

The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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 sales.support@janushenderson.com or visit our website: www.janushenderson.com.

These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them.

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.

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

Important information

The investments underlying this financial product (referred to as the Fund) do not take into account the EU criteria for environmentally sustainable economic activities. While the analysis of ESG factors is an integral component across the Investment Manager's investment capabilities, the Investment Manager does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Fund. The Investment Manager does not consider the adverse impacts of investment decisions on sustainability factors as set out under SFDR with respect to the Fund because it is not classified under either Article 9 or Article 8 of Regulation (EU) 2019/2088.

For US Financial Professionals servicing non-US persons. Any investment application will be made solely on the basis of the information contained in the Fund's prospectus (including all relevant covering documents), which will contain investment restrictions. This communication has promotional purposes and is intended as a summary only and potential investors must read the Fund's prospectus and key investor information document before investing. Information is provided on the Fund on the strict understanding that it is to - or for clients resident outside the USA. A copy of the Fund's prospectus and key investor information document can be obtained from Henderson Global Investors Limited in its capacity as Investment Manager and Distributor as well as Henderson Management S.A. Nothing in this communication is intended to or should be construed as advice. This communication does not constitute an offer or a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. The performance data does not take into account the commissions and costs incurred on the issue and redemption of units. Deductions for charges and expenses are not made uniformly throughout the life of the investment but may be loaded disproportionately at subscription. If you withdraw from an investment up to 90 calendar days after subscribing you may be charged a Trading Fee as set out in the Fund's prospectus. This may impact the amount of money which you will receive and you may not get back the amount invested. The value of an investment and the income from it can fall as well as rise significantly. Some Sub-Funds of the Fund can be subject to increased volatility due to the composition of their respective portfolios. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes. The Janus Henderson Horizon Fund (the "Fund") is a Luxembourg SICAV incorporated on 30 May 1985, managed by Henderson Management S.A. This communication should only be read by institutional investors, professional financial advisors and is not for public distribution. Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Equity Partners Limited (reg. no.2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). Copies of the Fund's prospectus, Key Investor Information Document, articles of incorporation, annual and semi-annual reports are available in English and other local languages as required from www.janushenderson.com. These documents can also be obtained free of cost from the Fund's registered office in Luxembourg: 2 Rue de Bitbourg, L-1273 Luxembourg. The summary of Investors Rights is available in English from <https://www.janushenderson.com/summary-of-investors-rights-english>. Henderson Management SA may decide to terminate the marketing arrangements of this Collective Investment Scheme in accordance with the appropriate regulation.

[Janus Henderson, Janus, Henderson, Intech, VelocityShares, Knowledge Shared, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.