

Janus Henderson Horizon China Opportunities Fund

October 2021

Marketing communication
For professional investors only

Fund Managers Names

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Macro backdrop

Macro data was generally weak with manufacturing purchasing managers' indices (PMIs) falling below 50 in October, marking a new low since the start of China's COVID-19 recovery. Golden Week consumption was soft with COVID-19 resurfacing again in China, this time more widespread across many provinces rather than in a single region. Consumption is likely to stay low as people's mobility will be restrained while COVID-19 concerns are high among China's population, and while a zero COVID-19 tolerance is still the focus for the authorities. Exports continued to outperform the domestic economy, with no clear evidence of the power shortage taking a toll on export volumes.

The third quarter earnings season was challenging with many companies reporting both revenue and earnings shortfalls - the latter due to cost escalations with high producer prices. With the macro environment relatively weak, high (but seemingly peaking) input prices, and with the resurfacing of COVID-19 across many provinces likely to cause disruption to mobility, earnings delivery for the rest of the year could remain challenging.

In late October the NPC Standing Committee authorised the State Council pilot property tax reform in a few select cities. There is little detail on how this tax reform will be carried out but the cities where this tax reform will be trialled will be announced by the end of the year, while further details will come in the first half of 2022.

Fund performance and activity

The fund rose 4.7% while the MSCI Zhong Hua 10/40 Index benchmark was up 2.7% and the IA China/ Greater China sector rose 2.7%.

LONGi Green Energy Technology, premium car distributor Zhongsheng Group and Netease contributed positively over the month, while Sany Heavy Industry, Beijing Oriental Yuhong and the fund's zero weighting to BYD detracted from performance. Poor performance at Sany Heavy Industry and Beijing Oriental Yuhong were due to poor earnings announcements, where both companies suffered from high raw material costs over the quarter. We note that Beijing Oriental Yuhong has since raised prices of its water proofing material with effect from October.

Over the month, we reduced holdings in Topsports, AIA Group and Budweiser APAC and reinvested the proceeds into Techtronic Industries, while topping up holdings in JD.com and Nari Technology.

Outlook/strategy

The recent earnings season has been challenging. We expect that the weaker macroeconomic environment in China, supply chain tightness, cost escalations and the resurfacing of COVID-19 across a number of provinces are likely to continue to weigh on the earnings of the market as whole. While there is evidence that the authorities are no longer tightening in terms of the provision of mortgages and bank credit to developers, and there have been no new regulatory announcements to the detriment of large technology firms in China, we await the December Politburo meeting for signals as to whether there is a change in policy direction or if measures turn out to be just marginal fine tuning.

Amid the slowing macroeconomic environment and regulatory headwinds, which will likely be more evident in imminent earnings announcements of large Chinese technology companies - and which are already evident in the third quarter earnings of domestic A-share listed companies - we believe strong franchises will no doubt be impacted in the near term. However, we think such franchises will be able to weather the current business disruptions and come out all the stronger for them.

Source: Janus Henderson Investors, as at 31 October 2021

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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	4.7	2.7	2.7	1st	-	-
YTD	-14.1	-10.9	-9.5	3rd	-	-
1 year	-6.0	-0.9	1.4	3rd	-	-
3 years (annualised)	11.2	13.1	15.2	3rd	-	-
5 years (annualised)	8.3	11.2	11.2	3rd	10.4	11.9
10 years (annualised)	8.0	8.1	7.4	2nd	10.1	8.4
Since inception 25 Jan 2008 (annualised)	6.6	5.3	4.4	-	8.6	5.6

Source: at 31 Oct 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 %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
30 Sep 2020 to 30 Sep 2021	-7.0	0.2	2.9	-5.2	2.7
30 Sep 2019 to 30 Sep 2020	28.3	29.6	31.8	30.8	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

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.

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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.janushenderson.com.

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