COMMENTARY

# Janus Henderson Horizon Asia-Pacific Property Equities Fund

December 2019

## **Fund Managers Names:** Tim Gibson & Xin Yan Low

## Macro backdrop

Asian property equities were up 1.3% over the month underperforming general equities as investor sentiment improved with easing tensions due to a potential US-China trade deal. Developers outperformed REITs over the period with Hong Kong (+5.3%) leading the region as stocks rebounded after the generally weak performance in the second half of the year with the ongoing protests. Singapore (+3.2%) also outperformed the region, led mainly by developers, while Japanese developers (+2.3%) were strong as well. Australia (-0.1%) managed to end the month flat mostly due to a 2.7% appreciation in the Australian dollar against the US dollar while Japanese REITs (-2.4%) continued to retrace, giving back part of the strong performance year-to-date.

## Fund performance and activity

The fund* underperformed the index over the period as positive contributions from Singapore were offset by Japan. At the stock level, key detractors included our overweight position in Goodman Group and GLP JREIT as well as an underweight position in Wharf REIC.

Over the period we added to Hong Kong developers and initiated a new position in Chinese developer Guangzhou R&F Properties on the back of a placement given the attractive valuation. We continued to trim our holdings in Japanese REITs but added to Australian REITs as valuations began to look more attractive to us. We participated in the initial public offering (IPO) of Sosila Logistics REIT and Poly Property Development but exited the positions following their strong performance at listing.

## Outlook/strategy

Having seen significant bond yields compression over the last year, real estate may not enjoy the same boost from rate cuts this year. While we have no strong macroeconomic views, we expect there will be periods of market volatility and drawdowns as we move into the later stages of the economic cycle. Listed real estate, which offers lower correlations to many other asset classes and a lower beta in an equity market context, should hold up better during periods of market downturns. However, the biggest risk may come from a pick-up in growth and inflation expectations and any short, sharp rise in bond yields and cyclical rotation will likely cause the sector to underperform. As the market outlook remains uncertain, we believe property equities has the potential to reduce risk and enhance returns within a diversified portfolio and will by favoured by investors who seek exposure to real assets with an attractive and growing income stream.

Property fundamentals within the region remain firm with supply and demand well balanced across most asset classes. However, structural forces will likely continue to see sectors such as logistics and data centers benefiting from technological and demographic tailwinds perform well while putting pressure on traditional retail properties. We continue to play to our strengths, reducing macro risks and focusing on bottom-up stock selection to drive returns through a concentrated, high conviction portfolio.

Source: Janus Henderson Investors, as at 31 December 2019

* Gross of fees - gross of 5% initial sales charge. Calculated on a bid to bid basis, with gross income reinvested in USD.

Note: Reference to any specific company or stock is for information purposes only and should not be construed as a recommendation to buy or sell the same.



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