

Janus Henderson Horizon Asian Dividend Income Fund

December 2019

Fund Managers Names: Mike Kerley & Sat Duhra

Macro backdrop

Asia Pacific ex Japan markets finished the year strongly capping off a good year for equities globally. Improving trade relations between the US and China as a partial deal was agreed together with stronger economic data, especially from the US and improving Asia Pacific earnings expectations, were the main catalysts. The best performing markets were in North Asia led by Korea and followed by China and then Taiwan. All are seen as beneficiaries of improved trade relations and the cyclical upturn in technology demand, especially in semiconductors which benefits major players such as Samsung Electronics and TSMC. The South Asian markets struggled to keep pace with this move while India and Australia were blighted by a continued earnings slowdown in the former and a catastrophic bush fire season in the latter, which has impacted growth expectations. At the sector level technology led the way while the defensive sectors of consumer staples, utilities and health care lagged.

Fund performance and activity

The fund* rose 4.6% over the month, underperforming its benchmark which returned 6.4%.

Although the fund has positions in some of the large technology hardware stocks, the strong performance of internet related names where the lack of value and dividend doesn't fit the fund's objectives proved detrimental. In addition, the more defensive high yield names in the portfolio failed to participate in the market rise.

During the month we added Samsung Fire and Marine Insurance to the portfolio which benefits from a high dividend yield but also should see more positive auto policy pricing in 2020. This was funded by trimming positions in some of our property and telecom positions. We also initiated a position in Chinese tissue and sanitary product producer Hengan International which after a number of years of intense competition is beginning to see a more rational market in the year ahead. This was funded by the sale of Jiangsu Expressway which has no visible catalysts in the short to medium term.

Outlook/strategy

We remain cautiously optimistic on the outlook for the region. Valuations are attractive in our view, especially compared to western markets, and earnings are beginning to show signs of bottoming. In the short-term, markets will likely be dictated to by global macro events surrounding US interest rates and the dollar and geopolitical tensions, especially between the US and China. We will use the increase in volatility to add to positions in favoured sectors and stocks at more attractive prices with a focus on domestic sectors which are less impacted by macro factors.

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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