

Janus Henderson Horizon Asian Growth Fund

Q2 2020

For promotional purpose

Fund managers

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Macro backdrop

Global equity markets recovered sharply in the second quarter after March's sell-off, despite an increasing number of coronavirus cases which led to the closure of a significant amount of economic activity. Many of the developing markets that were hardest hit in the first quarter bounced back the strongest including India, Indonesia and the Philippines, while the more developed markets like Hong Kong and Singapore produced positive returns but lagged the regional benchmark return. Australia also rebounded strongly. Sentiment towards Hong Kong was impacted by the passing of China's new security law, although the market recovered from the initial sell-off.

As we have become accustomed, there was political tension between the US and China relating to both the trade deal and also blame for the origins of the Covid-19 virus. Overall, however, markets looked through this and focused on the positives from the reopening of many major economies following the shutdowns to contain the spread of the virus. Equity markets also continued to take comfort from the scale of the fiscal and monetary response to the crisis.

Fund performance and activity

The fund* underperformed its benchmark, the regional MSCI All Country Asia Pacific ex Japan Index, during the quarter, returning 17.2% against the index return of 18.4%.

Stock selection was largely positive, particularly from China and the Philippines, with a negative contribution from asset allocation both from our underweight position to Australia and holding some cash in a strong market. From a sector perspective, positive stock selection in both industrials and consumer staples were key contributors while stock selection was negative in information technology and materials.

Following the first quarter sell-off, we retained faith in the vast majority of the companies we hold in the portfolio. Some trends have actually accelerated as a result of the virus and we did add one new position within the China internet space - Meituan Dianping, a leading services company which sits within the consumer discretionary sector. This new company was among our top five contributors over the quarter. Pleasingly, we saw a sharp recovery in a number of holdings which had been disproportionately sold off in the first quarter without significant company specific news, and which therefore benefited from rebounds in their local markets. These included two industrials companies, Ayala Corporation and Techtronic Industries, listed in the Philippines and Hong Kong respectively, and which were also among the fund's top contributors.

Four Hong Kong-listed companies were among our major detractors over the period. These included two life insurance companies, Ping An Insurance and AIA Group, a mainland Chinese cement company Anhui Conch, and Macau casino firm Sands China. The cement company underperformed after prior outperformance while short-term growth for both the casino and life insurance sales looked set to be lower due to travel restrictions and social distancing. We do take comfort from the fact that both life insurance companies invested heavily in technology and therefore are not completely dependent on face-to-face meetings.

We made the difficult decision to exit three positions and use the proceeds to add to existing positions. Two of the companies that we exited were in the property sector, which we felt will remain subdued for longer given the weaker economic outlook, while we also exited an Indonesian financial company following some rebound in its share price.

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Outlook/strategy

There could still be a long road to economic recovery post Covid-19 and some businesses will surely be structurally challenged or disrupted, while it seems likely that we could see second waves of the virus emerge. However, there are bright spots to look out for including the acceleration of digitisation and technological upgrades in many industries, and the franchises of dominant market leaders in their respective industries being strengthened even further. The unprecedented easy monetary conditions should continue to lend support to the markets while the hefty fiscal stimulus provided by governments globally provides the much needed boost to both the recovery of businesses and consumption. In our view, the valuations of Asian equities continues to be attractive given both the growth prospects of the region and also in relative terms when compared to developed market equities. We remain optimistic of an eventual earnings recovery in the region and retain a high level of conviction in companies which we believe are able to emerge stronger from this crisis.

Source: Janus Henderson Investors, as at 30 June 2020

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Fund information

Index

MSCI All Countries Asia Pacific ex Japan Index

Objective

The Fund aims to provide capital growth over the long term.

Performance in (USD)

Annualised performance %	A2	A2 (with sales charge)^	Benchmark
1 month	7.8	2.4	8.2
3 months	17.2	11.4	18.4
1 year	-1.0	-6.0	-0.3
3 years (p.a)	2.0	0.2	3.3
5 years (p.a)	4.4	3.4	3.9
Since inception (p.a)	9.5	9.3	7.8

Source: at 30 Jun 2020. © 2020 Morningstar. All rights reserved, performance is net of fees, with gross income reinvested. Performance figures of less than 1 year are not annualized. 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.

^Performance with sales charge assume 5.00% initial sales charge/front-end load (FEL) applied.

Past performance is not a guide to future performance.

* 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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For further information on the Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com/sg

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