

# Janus Henderson Horizon Japanese Smaller Companies Fund

August 2020

For promotional purpose

## Fund manager

Yunyoung Lee, CFA

## Macro backdrop

Japanese equity markets advanced in August due to the risk-on mood of investors following easing monetary policy worldwide and a possible peak in COVID-19 cases in Japan early in the month. They also remained steady after Prime Minister Shinzo Abe announced that he would step down on 28 August. Japan's top government spokesman and Abe's long time right-hand man, Yoshihide Suga, has emerged as the frontrunner in the race and his leadership would largely be viewed as a smooth transition without any big policy changes. In the small cap market, stocks which reported better-than-expected quarterly results or earnings guidance advanced regardless of sectors.

## Fund performance and activity

Positive contributors included Tsukui (nursing homes), Konami Holdings (mobile games), Nippon Soda (chemicals), Nichicon (electronic components) and Aiful (consumer finance). Tsukui, which we felt was underappreciated by investors, rose due to better-than-expected quarterly results which proved less impacted by COVID-19 than expected. Konami Holdings, which again we thought was undervalued due to its gym business, rose thanks to better-than-expected quarterly results driven by strong mobile gaming revenues. Nippon Soda reported strong quarterly results driven by higher sales of agrochemicals and we partially cut the position due to a rise in its valuation. Nichicon's quarterly results were better than expected while Aiful rose as a result of strong earnings results thanks to costs reductions.

Major negative contributors were Sumco (chemicals), Toppan Forms (business process outsourcing), Digital Arts (website filtering service), Ines (IT services) and Yorozu (auto parts). Sumco dropped after a results announcement as it reported weaker-than-expected quarterly guidance which indicated weak demand for auto-related semiconductors. However, it also produces silicon wafers which are used to make semiconductors and we think this market has potential to grow driven by the growth of data centres, artificial intelligence (AI) and the internet of things (IoT). Toppan Forms, Digital Arts, Ines and Yorozu reported weaker-than-expected quarterly results but we maintained positions as we considered them to be underappreciated by market.

In terms of other activity, we increased positions in Shima Seiki Manufacturing (flat-knitting machines), KH Neochem (chemicals), Ulvac (semiconductor processing equipment), Tachi-S (auto parts), Saint Marc Holdings (coffee shops), Avex (entertainment), Septeni Holdings (online advertisement), Koa (electrical parts) and DKK (antennas for base stations) following meetings with their respective management teams. We reduced positions in GMO Financial holdings (online foreign exchange service), Ministop (convenience stores), OKK (machine tools), Cookpad (internet recipes), Yorozu (auto parts) and Toa (marine civil engineering) also following management meetings.

Source: Janus Henderson Investors, as at 31 August 2020

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## Fund information

### Index

Russell/Nomura Small Cap 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	8.4	3.0	6.9
3 months	1.9	-3.2	2.9
1 year	8.6	3.2	7.3
3 years (p.a)	0.9	-0.9	0.8
5 years (p.a)	8.3	7.2	6.3
Since inception (p.a)	7.3	7.2	6.6

Source: at 31 Aug 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.

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](http://www.janushenderson.com/sg)

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