

Janus Henderson Asia Pacific Capital Growth Fund

Q4 2020

For promotional purposes

Fund Managers Names

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Macro backdrop

Asian equities posted double-digit gains in the fourth quarter of 2020 despite the deteriorating Covid-19 situation globally. News of successful phase 3 vaccine trials buoyed markets in November and the positive market momentum continued into December.

The technology-heavy markets of South Korea and Taiwan were among the strongest performers while China still posted healthy gains but performed broadly in line with the regional index following prior outperformance. India and some of the South East Asian countries such as Indonesia, Thailand and the Philippines also rebounded strongly following underperformance earlier in the year. Australia outperformed too.

By sector, information technology continued to outperform and posted the strongest quarterly return driven by positive semiconductor and memory pricing. However, some more cyclical sectors such as materials and financials also performed well following the US election result with expectations of more inflationary pressures and amid a rotation to value shares. Consumer discretionary, real estate and energy sectors gained but lagged the overall market.

It is also worth noting that the strong Asian equity markets and weaker US dollar have attracted increased investor flows to the region during the quarter.

Fund performance and activity

The fund returned 13.1% and outperformed the MSCI All Country Asia Pacific ex Japan benchmark which returned 12.7% during the quarter. The IA Asia Pacific excluding Japan peer group returned 13.3%. Stock selection remained the main generation of alpha, driven by holdings in South Korea and India. Country allocation was negative while the fund's stock selection in financials was the main contributor from a sector perspective.

Two of the fund's top contributors came from the South Korean memory sector with Samsung Electronics and SK Hynix posting gains largely due to firmer than expected DRAM and NAND prices amid continued strong demand. Our Indian mortgage lender, Housing Development Finance Corporation, which detracted earlier in the year, continued to rebound strongly as business performance has recovered quicker than expected by the market. Demand for its mortgage products remained strong and the company has a long track record of managing both interest rate and economic growth volatility in India. The other strongest performers over the quarter came from the China A-share market which continued its strong relative performance. Midea manufactures household electrical appliances while Sany Heavy is a construction machinery company and both companies have benefited from the recovery in the Chinese economy and provided positive guidance for their business outlooks.

Our two most significant detractors were Anhui Conch, a Chinese cement company, and Largan Precision, a leading Taiwanese manufacturer of camera lens modules particularly for the smartphone market. In the case of Conch, earnings expectations have been quite stable but there were some concerns about the potential for oversupply in the market. Largan, however, has seen a significant decline in earnings expectations as the company has been impacted by the restrictions on Huawei as Largan was a supplier of some of its technology.

We made some changes to the portfolio during the quarter which included some reduction and profit taking in the China internet sector, while we also initiated a new position in the pharmaceutical sector. We added a couple of new positions in sectors that we believe may benefit from the reopening of economies, but we are doing so cautiously as we expect this to take some time longer to really gather momentum.

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Outlook/strategy

While the strong equity market returns of 2020 is somewhat surprising given the Covid-19 virus and its impact on economies, we think Asia starts 2021 in a better relative position than much of the rest of the world in terms of containing the virus. Markets have already reacted positively to the news of the vaccine so the next few months will be crucial in terms of implementation to see how quickly economies and corporate earnings will recover. It is unlikely that we will see any drastic change in supportive monetary policy globally, especially given the level of government debt, so the environment remains supportive to equities and expectations for corporate earnings growth remain quite positive for Asia in 2021 given the depressed 2020 earnings.

The fund continues to favour the structural winners, though we are cognisant that the valuations of some of these have run slightly ahead and that the ongoing rotation from growth stocks to value or cyclical stocks could continue for some time. Our aim is to have a balance of both structural and cyclical exposure but will remain more skewed to the higher return-on-equity (ROE) businesses, which has typically led us more towards franchise leaders, particularly in the technology and consumer discretionary sectors. We remain cautiously optimistic on Asian equities, as valuations remain compelling to us relative to developed markets equities, and we like the long-term growth prospects.

Source: Janus Henderson Investors, as at 31 December 2020

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Fund information

Index MSCI All Countries Asia Pacific ex Japan Index
Index usage Target, Comparator

The MSCI All Countries Asia-Pacific (Ex Japan) Index is a measure of the combined performance of large and medium sized companies across developed and emerging stock markets across the Asia-Pacific region but excluding Japan. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.

Peer group benchmark IA Asia Pacific ex Japan Equity
Peer group benchmark usage Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Objective The Fund aims to provide capital growth over the long term.
Performance target To outperform the MSCI All Countries Asia Pacific ex Japan Index by at least 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (GBP)

Performance %	I (Net)	Index	Peer group	Quartile ranking	I (Gross)	Target (Gross)
1 month	5.5	4.2	4.5	2nd	-	-
YTD	23.8	19.0	19.9	2nd	-	-
1 year	23.8	19.0	19.9	2nd	-	-
3 years (annualised)	9.8	7.8	7.8	2nd	-	-
5 years (annualised)	16.4	14.9	14.6	2nd	17.4	17.2
10 years (annualised)	8.1	7.9	7.6	2nd	9.1	10.1
Since inception 28 Sep 1990 (annualised)	11.8	9.9	10.1	-	12.8	12.1

Source: at 31 Dec 2020. © 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 %	I (Net)	Index	Peer group	I (Gross)	Target (Gross)
31 Dec 2019 to 31 Dec 2020	23.8	19.0	19.9	24.9	21.3
31 Dec 2018 to 31 Dec 2019	17.7	14.9	15.9	18.7	17.2
31 Dec 2017 to 31 Dec 2018	-9.2	-8.3	-9.8	-8.4	-6.5
31 Dec 2016 to 31 Dec 2017	28.4	25.4	25.3	29.5	27.9
31 Dec 2015 to 31 Dec 2016	25.6	27.7	25.9	26.7	30.3

Source: at 31 Dec 2020. © 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.

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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.

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