COMMENTARY

Janus Henderson Horizon Global Property Equities Fund

Q3 2021

For promotional purposes
For US Financial Professionals servicing non-US persons

Fund Managers Names

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Macro backdrop

Global equities delivered flat returns in the third quarter although it was very much a quarter of two halves. Covid-19 vaccination roll-outs, easing restrictions and fading inflation concerns were initially conducive to some strong share price performance. However, growth concerns, Chinese government intervention and rising bond yields led investors to de-risk after a strong run, largely erasing the gains seen earlier in the quarter. Global property stocks fell marginally over the period. US, UK, Swedish, Australian and Singaporean property stocks delivered positive returns over the quarter, but stocks in China and Hong Kong were notably weak following the unfolding Evergrande situation and broader regulatory concerns.

At a property sector level in developed markets, residential sectors were the clear winner, with strong gains from manufactured housing, single-family rental and apartment landlords, where fundamentals continued to rapidly accelerate. The storage and logistics sectors also continued their strong performance against a strong operating backdrop resulting in record occupancy and rent growth. In contrast, hotels, healthcare and office stocks lagged, driven by a surge in delta cases and concerns over the pace of GDP growth.

The period also saw further elevated REIT merger and acquisition (M&A) activity, with gaming REIT VICI announcing a deal to acquire peer MGP for $17.2 billion in a deal that provides further valuation support for scarce gaming assets on the Las Vegas strip. Generally, direct market transactions across almost real estate sectors are demonstrating strong demand for assets and rising values, as investors globally continue to increase allocations to the sector in search of a combination of yield and growth.

Fund performance and activity

The fund returned -0.7% while its benchmark returned -0.9%.

Exposure to sectors that have been benefiting from cyclical growth tailwinds added value, with hotel management company Hilton, US hotel owner Park Hotels, and global real estate services provider Jones Lang Lasalle all delivering strong performance. Residential exposure also proved beneficial with traditional apartment owners UDR and Essex making positive contributions, alongside manufactured housing landlord Sun Communities. Industrial exposure through European developers CTP and VGP also added value. Cold storage owner Americold, and health care landlords Sabra and National Health Investors detracted over the period.

In an active quarter we added global real estate services provider Jones Lang LaSalle, ahead of some strong results, and Storage owner Life Storage, as we expect favourable operating characteristics to persist into 2022. We also increased exposure materially to US hotels, adding Park Hotels & Resorts on valuation grounds following material underperformance related to the Delta variant of Covid-19. We remain more constructive on the longer-term recovery outlook for hotel demand. We also made changes within the health care space, adding US large cap Ventas over smaller peers Sabra and National Healthcare Investors.

In the office sector we added Activia Properties in Japan and UK diversified company Landsec. We exited our holding in German diversified landlord Aroundtown, focusing exposure in other discounted mixed-use names in the UK and Continental Europe where we have greater conviction.

In Asia Pacific, we added selective retail exposure following underperformance, through Hang Lung for China exposure and Vicinity in Australia, where severe lockdown measures have hampered a recovery, but vaccination rates are now accelerating.

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Outlook/strategy

We expect underlying real estate fundamentals to reflect a wide divergence across different sectors in the years ahead, driven by the themes of changing demographics, digitisation, sustainability and the convenience lifestyle. It therefore remains important, in our view, to remain selective when investing in the sector and understanding that not all parts of the market will return to the same 'normal' post pandemic.

We remain focused on 'quality compounders', operating in areas of structural growth, where underlying demand from both tenants and investors has in many cases strengthened through the pandemic. We also have selective exposure in parts of the market which we see as 'cheap but not broken'; those stocks that have seen cyclical damage from the pandemic, but where we see a path back to sustainable growth.

Listed real estate has typically offered lower correlations to many other asset classes and provided investors the benefits of portfolio enhancement by increasing risk-adjusted returns within a balanced portfolio. In addition, against a backdrop of low interest rates and rising inflationary pressures, many parts of the real estate sector continue to provide an attractive and growing income stream for investors.

Source: Janus Henderson Investors, as at 30 September 2021

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Fund information

Index	FTSE EPRA Nareit Developed Index
Morningstar sector	Europe OE Property - Indirect Global
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the FTSE EPRA Nareit Developed Index by at least 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	-4.9	-5.8	-5.4	2nd	-	-
YTD	15.5	14.5	13.8	2nd	-	-
1 year	25.8	29.6	26.2	3rd	-	-
3 years (annualised)	11.5	6.2	6.7	1st	-	-
5 years (annualised)	8.5	4.5	4.8	1st	10.7	6.6
10 years (annualised)	9.6	8.3	7.3	1st	11.8	10.5
Since inception 03 Jan 2005 (annualised)	6.7	5.9	4.6	-	8.8	8.0

Source: at 30 Sep 2021. © 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.

Calendar year returns %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
2020	-0.9	-9.0	-6.4	1.9	-7.2
2019	30.1	21.9	22.2	32.5	24.3
2018	-4.4	-5.6	-8.3	-2.6	-3.7
2017	12.8	10.4	12.4	15.0	12.6
2016	2.0	4.1	0.4	4.0	6.1

Source: at 30 Sep 2021. © 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.

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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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact sales.support@janushenderson.com or visit our website: www.janushenderson.com.

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The information in this commentary does not qualify as an investment recommendation.

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The investments underlying this financial product (referred to as the Fund) do not take into account the EU criteria for environmentally sustainable economic activities. While the analysis of ESG factors is an integral component across the Investment Manager's investment capabilities, the Investment Manager does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Fund. The Investment Manager does not consider the adverse impacts of investment decisions on sustainability factors as set out under SFDR with respect to the Fund because it is not classified under either Article 9 or Article 8 of Regulation (EU) 2019/2088.

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