

# Janus Henderson Horizon Japan Opportunities Fund

Q2 2021

For promotional purpose

## Fund manager

Junichi Inoue

## Macro backdrop

The global economy continued to recover, albeit at a slightly slower pace compared to previous quarters. Global equities made further progress, supported by reopening as Covid-19 vaccination programs progressed in many countries. Bond yields declined from their recent peaks after central banks reassured investors that they believed inflationary pressures were transitory, and that their current accommodative monetary policy stance was unlikely to change in the near term. Cyclical value stocks lost momentum while growth stocks regained traction. The Japanese market underperformed other developed markets for the second quarter in a row as the roll-out of the country's vaccination programme has been slow. There was no clear market leadership in terms of sector while US dollar strength since the beginning of this year offset positive returns in local currency terms.

## Fund performance and activity

The fund fell 2.4% in US dollar terms over the quarter, underperforming the TOPIX Index which fell 0.8%.

It was a quarter that lacked any significant trends and the index moved sideways. Although the recovery of corporate earnings was stronger than expected, the reaction from the market was muted, leaving plenty of stock picking opportunities.

Fujifilm holdings, which we have owned for over four years now, advanced further as the market welcomed its growth in biotech. Toyota's share price hit a historical high during the quarter as the market finally started differentiating between original equipment manufacturers (OEMs), as the industry faces the transition to electric vehicles. Asahi Group Holdings, a global beer and soft drink producer, also advanced amid the reopening of many of its overseas markets.

On the other hand, in a reversal of performance in 2020, Daiichi Sankyo, Softbank Group and TDK detracted. In terms of trading activity, we sold the entire position in Mitsui Fudosan as our original investment case did not materialise. We also exited Daikin and bought a new position in Astellas, a pharmaceutical company, where we liked its R&D pipeline. We also bought a new position in Seven & I, a CVS chain operator, following its recent acquisitions in the US. Despite these changes, the overall shape of the fund remains unchanged with around two-thirds of the risk budget allocated to stock-specific risk with exposure to quality and growth stocks.

## Outlook/strategy

Ongoing concerns about the impact of new COVID-19 variants and an unclear outlook around inflation and job recovery, especially in US, may create some volatility in the short-term. However, our longer-term outlook remains positive due to political and monetary support, low inventories throughout supply chains, and high household savings – which suggests strong consumption potential towards the end of the year. Capital expenditure towards carbon-neutral is also likely to boost spending across a wide range of businesses, which may result in a bigger and longer economic cycle than recent ones. The TOPIX Index was trading at 14x earnings-per-share, and although the market seems to have priced in a recovery to FY3/2019 earnings-per-share by next fiscal year, it does not seem to have priced in any growth beyond. This could make Japanese equities very attractive to global investors.

Our approach remains the same. We believe that our investment philosophy will work in good times as well as more difficult times as we focus on companies that we think can create shareholder value by delivering excess free cash flow return over cost of capital. During the past six months, the market was driven by big themes and factor rotation, which is unlikely to continue forever. As we enter the mid-cycle of recovery, we believe the market will once again focus on individual stocks. We have strong confidence in the stocks that we own and will continue to focus on stock picking, which we expect to be a key determinant of the fund's future performance.

Source: Janus Henderson Investors, as at 30 June 2021

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## Fund information

**Index**

TOPIX

**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	-0.5	-5.4	-0.3
3 months	-2.4	-7.3	-0.8
1 year	21.4	15.4	23.4
3 years (p.a)	8.6	6.7	6.0
5 years (p.a)	11.8	10.6	9.7
Since inception (p.a)	4.2	4.1	5.6

Source: at 30 June 2021. © 2021 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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