

JAPAN OPPORTUNITIES FUND

At a glance

Performance*

The Fund returned 4.24%, the Index returned 3.41% and the Peer Group returned 3.80%.

Contributors/detractors

Shin-Etsu Chemical and Ebara Corp were major positive contributors, while Nissan Motor and Astellas Pharma were the main detractors.

Outlook

We like the current market set-up as valuations seem reasonable and earnings are expected to grow. We think reforms in corporate governance could result in further inflows to Japanese equities.

Portfolio management



Junichi Inoue

Investment environment

- After a lacklustre start to the quarter, global equity markets rallied strongly, bolstered by better-than-expected inflation data from the US, Europe and the UK. This led investors to significantly revise their expectations for interest rate cuts in the following year.
- Consequently, bond markets experienced a robust rally. The US 10-year Treasury yield declined from a 16-year peak of 4.99% in October to 3.88% at the end of the quarter. The Bloomberg US Aggregate Bond Index posted a 6.8% gain over the quarter, marking its best quarterly return since 1989.
- In Japan, the TOPIX Index rose approximately 2% in yen terms and around 8% in US dollar terms, as the yen's depreciation trend since the start of the year finally reversed. Although the Bank of Japan (BoJ) further adjusted its yield curve control policy in October to allow for a higher 10-year bond yield, it maintained its negative policy rate.
- Expectations for a narrowing interest rate gap between Japan and the US led to increased volatility in the exchange rate, resulting in the yen's appreciation. However, sentiment in the stock market improved towards the end of the quarter, buoyed by the rally in global equity markets.
- In terms of investment style, after a strong rally in value stocks this year, quality and growth-style stocks

performed well in the fourth quarter amid expectations for the end of the monetary tightening cycle in major markets. Semiconductor-related stocks in particular showed strong performance.

Portfolio review

Stock selection continued to yield positive results. Shin-Etsu Chemical was the fund's most significant positive contributor, as the market anticipated strong growth, aided by the semiconductor market's recovery and a rebound in US housing starts. Ebara Corp and other semiconductor equipment manufacturers also contributed positively as the chip market showed signs of recovery.

In contrast, shares in Nissan Motor underperformed after a strong recovery in previous quarters due to a strengthening yen. Astellas Pharma's shares also declined as sales of its new drug failed to meet investor expectations.

Regarding trading activity, we reduced the fund's stakes in several companies whose shares had enjoyed a substantial run. We initiated new positions in Kokusai, a semiconductor equipment manufacturer, and Shimamura, a domestic retailer, as their valuations appeared attractive to us.

Manager outlook

Despite robust performance in 2023, we maintain a favourable view of the risk-reward balance in Japanese equities, particularly considering the transformational changes taking place in corporate governance. The

Marketing communication

Past performance does not predict future returns.

*For benchmark/usage and peer group, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

fundamentals remain solid. We expect corporate earnings to exhibit positive growth thanks to a weaker yen and lower input costs, while companies have successfully managed to realign their margins through price increases.

We think wages are likely to grow at a rate higher than the Consumer Price Index (CPI), which has been a key point of debate in the market for sustained growth. Owing to strong market performance, share price valuations have risen from what we considered very attractive levels to still-attractive levels, as the market's price-to-earnings (P/E) ratio has shifted to 15 times (for the full-year to March 2024). We believe this level of valuation, with

conservatively managed balance sheets, can be justified even without significant earnings per share (EPS) growth.

The market does not seem to have been as selective, as the P/E ratio is within a very narrow range for companies operating in similar sectors. To us, this presents a great opportunity for stock-pickers. We are also focused on governance improvement as a key value driver in the portfolio, as we believe it will lead to better capital allocation decisions. We have strong confidence in the stocks we own and will continue to focus on stock-picking, which we expect to be a key determinant of fund performance.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (30/09/74)
I Acc (Net)	3.09	4.24	14.49	14.49	1.93	9.19	9.55	8.92
Index	3.90	3.41	13.27	13.27	3.47	6.83	8.18	9.27
Peer Group	3.78	3.80	11.01	11.01	1.09	6.62	7.57	8.88
I Acc (Gross)	—	—	—	—	—	10.12	10.49	9.86
Target	—	—	—	—	—	8.96	10.34	11.45

12 month rolling

	Dec 2022- Dec 2023	Dec 2021- Dec 2022	Dec 2020- Dec 2021	Dec 2019- Dec 2020	Dec 2018- Dec 2019
I Acc (Net)	14.49	-8.19	0.73	20.25	21.87
Index	13.27	-4.14	2.02	9.55	14.64
Peer Group	11.01	-8.37	1.56	13.94	17.08

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. © 2024 Morningstar, Inc. All rights reserved. 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. **Past performance does not predict future returns.**

Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors. This is a representative share class for the fund, other share classes are available and may be more suitable for your investment needs.

Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at www.janushenderson.com.

Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the TOPIX Index by 2% per annum, before the deduction of charges, over any 5 year period.

For the fund's investment policy, refer to the Additional fund information on page 4.

Past performance does not predict future returns.

Fund details

Inception date	24 September 1973
Total net assets	40.31m
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	Tokyo Stock Exchange First Section Index (TOPIX)
Peer group	IA Japan Equity

For benchmark/usage description, refer to Additional fund information on page 4.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. From 1 April 2015, the Henderson Japan Capital Growth Fund changed its name and benchmark to become the Henderson Japan Opportunities Fund. Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations. The TOPIX Index Value and the TOPIX Marks are subject to the proprietary rights owned by JPX Market Innovation & Research, Inc. or affiliates of JPX Market Innovation & Research, Inc. (hereinafter collectively referred to as "JPX") and JPX owns all rights and know how relating to TOPIX such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Marks. No Licensed Product in is any way sponsored, endorsed or promoted by JPX. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

The Tokyo Stock Exchange First Section Index (TOPIX) is a measure of the combined performance of a large number of the companies listed on the Tokyo Stock Exchange. 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.

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.

Investment policy

The Fund invests at least 80% of its assets in a concentrated portfolio of shares (also known as equities) of companies, of any size, in any industry, in Japan. Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, Japan. The portfolio may be concentrated in terms of its number of holdings and/or the size of its largest holdings. The Fund may also invest in other assets including cash. The investment manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the TOPIX Index, which is broadly representative of the companies in which it may invest, as this forms the basis of the Fund's performance target. The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. As an additional means of assessing the performance of the Fund, the IA Japan sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

Investment strategy

The investment manager seeks to achieve long-term capital appreciation by investing in undervalued, cash-generative and capital-efficient businesses, which can create value for investors. The focus is on stock selection, which is a result of rigorous, fundamental research and a strict valuation discipline, and incorporates strong risk management. The fund is a diversified portfolio of companies across a variety of sectors, which the manager believes has the potential to perform well over time.

Fund specific risks

The Fund could lose money if a counterparty with which the Fund trades becomes unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider. Shares/Units can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund. The Fund may use derivatives with the aim of reducing risk or managing the portfolio more efficiently. However this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations. If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. mitigated by taking an offsetting position in a related security), the value of your investment may be impacted by changes in exchange rates. Securities within the Fund could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses.

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INVESTORS

FOR MORE INFORMATION PLEASE VISIT JANUSHENDERSON.COM

Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.

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