

HORIZON JAPAN OPPORTUNITIES FUND

At a glance

Performance*

The Fund returned 8.48%, the Index returned 7.97% and the Sector returned 8.06%.

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

Marketing communication

For professional and qualified investors only.

Past performance does not predict future returns.

*For benchmark and sector, 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.

favourable view of the risk-reward balance in Japanese equities, particularly considering the transformational changes taking place in corporate governance. The 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	
A2 USD (Net)	4.34	8.48	21.86	21.86	-1.38	7.96	5.44	
Index	4.60	7.97	19.58	19.58	0.71	6.45	5.06	
Sector	4.42	8.06	18.50	18.50	-0.50	6.20	4.61	
A2 USD (Gross)	—	—	—	—	—	10.10	7.53	
Target	—	—	—	—	—	8.58	7.16	

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 USD (Net)	21.86	-20.19	-1.37	22.09	25.22	-17.18	19.93	8.87	13.20	-5.42
Index	19.58	-15.22	0.76	12.62	18.79	-14.02	26.15	3.12	11.34	-3.72
Sector	18.50	-17.81	1.13	14.91	19.33	-15.58	27.06	3.35	9.89	-4.60

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.

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Performance fees may be charged before the Fund's outperformance target is reached.

Performance fees are charged separately as a way of rewarding the investment manager for superior returns or for outperforming specified targets. A Performance Fee is accrued where the NAV outperforms the relevant Hurdle NAV (subject to a High Water Mark). For further explanation of the performance fee calculation methodology please see the relevant prospectus, available at www.janushenderson.com.

Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the Tokyo Stock Price 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	01 July 1985
Total net assets	5.18bn
Asset class	Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	JPY
Index	Tokyo Stock Price Index (TOPIX)
Morningstar sector	Japan Large-Cap Equity

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. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID; fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID, which must be reviewed before investing. Please consult your local sales representative and/or financial adviser if you have any queries. From 17 November 2014, the base currency of the fund changed from USD to JPY. The past performance is calculated in USD. From 1 April 2015, the Fund changed its name and investment policy. Past performance shown before 1 April 2015 was achieved under circumstances that no longer apply. 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. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. 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.

Investment policy

The Fund invests at least 80% of its assets in a concentrated portfolio of shares (equities) and equity-related securities of companies, of any size, in any industry, in Japan. The Fund may also invest in other assets including cash and money market instruments. 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 Tokyo Stock Price Index, which is broadly representative of the companies in which it may invest, as this forms the basis of the Fund's performance target and the level above which performance fees may be charged (if applicable). The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index, but at times the Fund may hold investments similar to the index.

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

When the Fund, or a share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency (hedge), the hedging strategy itself may positively or negatively impact the value of the Fund due to differences in short-term interest rates between the currencies. 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 —

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

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