COMMENTARY

Janus Henderson Horizon Japanese Smaller Companies Fund

Q2 2023

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Manager Name

Yunyoung Lee, CFA

Investment environment

Japan equities rose in the second quarter. However, the rally was narrow, driven by inflows from international investors returning to Japanese equities after an extended absence by buying the large-cap stocks they already know and love. Geopolitical risk in China is one of the factors leading to a change in thinking about Japanese equities. During his visit to Tokyo, Berkshire Hathaway's Warren Buffett said additional investments in other Japanese companies were always a matter of consideration, and he also commented on the sale of Taiwan Semiconductor Manufacturing. In addition, investors continued to assess the potential impact of the Tokyo Stock Exchange (TSE)`s corporate governance reforms. Investors welcomed the announcement of TSE's strategy to boost corporate value through improved capital efficiency.

Portfolio review

Positive contributors included Ibiden (semiconductors), Asahi Intecc (medical devices), Tsuruha Holdings (drug stores), Noritake (electrical materials) and Life (supermarkets). Ibiden's shares were up thanks to expectations for a bottoming out of the semiconductor cycle and as many semiconductor-related stocks rose over the quarter. Investors seemed to once again appreciate Asahi Intecc`s competitive products and strong global market share, as its business is seen as a beneficiary of economic re-opening. Tsuruha's share price rose as Oasis, an activist investor, filed shareholder proposals which nominated five outside directors. Investors expect this move to lead to higher shareholder returns and industry consolidation. However, we reduced the fund's position as it was too large considering its risk/return profile. Noritake's share price also rose as investors focused on its low price-to-book ratio and high dividend yield, while Life delivered a positive earnings announcement and announced better-than-expected earnings guidance, along with an improvement to its shareholder return policy.

Detractors included Benefit One (benefit packages), Jins Holdings (eyewear), Demae-can (food delivery), Taiyo Yuden (electrical parts) and Cyberagent (internet advertising). Benefit One's share price declined due to lower-than-expected earnings forecasts while Jins Holdings announced weak monthly sales figures. A recovery in demand for eyewear seems to be delayed, despite the economic re-opening. Demae-can's share price decreased as investors showed concerns about its earnings outlooks. However, we added to the positions as we think its potential is misunderstood. Taiyo Yuden's shares fell due to a delay in the recovery for demand of its electrical parts, while Cyberagent shares fell following its weak earnings results.

In terms of activity, we increased the fund's positions in Daio Paper (paper), Demae-can (food delivery), Jins Holdings (eyewear), Nitto Boseki (electrical materials), Septeni Holdings (internet advertising), GMO Financial Holdings (foreign exchange trading), Nihon M&A Center Holdings (merger and acquisition advisory), Taiyo Yuden (electrical parts), Aiful (consumer finance) and Sawai Group Holdings (generic drugs).

We initiated a new position in Japan Steel Works (industrial equipment). We like the company given the potential demand for its production equipment for materials used in lithium-ion batteries. We also initiated a new position in Denka, as we like its chemical products related to semiconductors and electric vehicles. We felt Denka is being underappreciated due to its lower-than-expected earnings forecasts.

Elsewhere, we decreased the fund's positions in Mixi (internet gaming), Shinmaywa Industries (specialist trucks), Tsuruha Holdings (drug stores), Ibiden (semiconductors), Tokyo Century (leasing), Asahi Intecc (medical devices) and Harmonic Drive Systems (factory automation). And we closed the positions in Lifenet Insurance (insurance), Toyo Suisan Kaisha (foods) and Shibaura Machine (machinery) following their share price increases.

Source: Janus Henderson Investors, as at 30 June 2023

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Fund information (Investment policy is on the next page)

Index	Russell/Nomura Small Cap Index
Morningstar sector	Europe OE Japan Small/Mid-Cap Equity
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the Russell/Nomura Small Cap Index by 2.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	0.6	2.4	3.4	-	-
YTD	1.9	5.1	5.4	-	-
1 year	8.0	13.2	13.1	-	-
3 years (annualised)	4.8	1.7	1.7	-	-
5 years (annualised)	1.4	-1.6	-1.3	3.6	0.9
10 years (annualised)	7.8	6.3	6.0	10.0	8.9

Source: at 30 Jun 2023. © 2023 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
2023 to 30 Jun 2023	1.9	5.1	5.4
2022	-11.0	-11.8	-18.6
2021	1.7	-2.8	-1.2
2020	9.1	5.0	13.6
2019	33.2	18.3	20.3
2018	-24.4	-18.1	-19.3
2017	25.6	35.3	41.1
2016	17.8	7.7	8.1
2015	17.0	10.2	12.3
2014	4.0	9.8	-1.1
2013	30.3	20.8	36.4

Source: at 30 Jun 2023. © 2023 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.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the 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.

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 http://www.janushenderson.com.

Source for target returns (where applicable) – Janus Henderson. 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 if you have any further queries.

From 17 November 2014. The Fund currency changed to Japanese Yen. The past performance is calculated in USD.

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Past performance does not predict future returns. 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.

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 http://www.janushenderson.com.

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What are the risks specific to this fund?

- 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.
- Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses.
- 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.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment policy

The Fund invests at least two-thirds of its assets in a concentrated portfolio of shares (equities) and equity-related securities of smaller companies, in any industry, in Japan.

The Fund may also invest in other assets including companies of any size, 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 Russell/Nomura Small Cap 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.

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

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