

Janus Henderson Horizon China Opportunities Fund

August 2023

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

Fund Managers Names

May Ling Wee, CFA

Investment environment

Concerns about the state of the Chinese economy and the property market weighed on investor sentiment over August. New home sales in 30 major cities were at just 56% of 2019's levels over the month. While this was marginally better than July's sales, they were nevertheless constrained by weak home-buyer sentiment and the potential default of some large developers. Credit data for July, alongside other high-frequency macroeconomic indicators, was underwhelming. Against this, policymakers made further attempts to address the lacklustre growth and the drag from the property market and the definition of a first-time home-buyer in all four tier-one cities. The People's Bank of China (PBoC) also cut the one-year medium-term lending facility rate.

The August corporate earnings season saw divergent numbers and was overall underwhelming. However, the Chinese internet sector led with strong earnings and cash flow announcements despite the weaker economic cycle, with many companies buying back shares.

At the end of the month, a lot of focus was on the technology sector with Huawei Technologies' launch of its new 5G smartphone (Mate60 Pro). The launch raised questions as to whether a design - which allows less advanced semiconductor equipment to manufacture chipsets exceeding the processing limits set into US semiconductor sanctions - actually negates the efficacy of the sanctions. The launch of Mate60 Pro was soon followed by headlines of China banning the use of iPhones at work for government officials.

Portfolio review

The fund fell 7.8% while the MSCI Zhong Hua 10/40 Index benchmark fell 8.9% and the China Equity - OE sector fell 8.3%.

In health care, the fund's holdings in contract research organisation (CRO) service providers Wuxi Apptec and Wuxi Biologics performed well due to better-than-expected earnings announcements and stronger order inflows and customer enquiries. Online game publisher Netease also performed well as its casual game Eggy Party surpassed 100 million active monthly users, while its artificial intelligence (AI)-enabled massively multiplayer online (MMO) game Justice Mobile moved into second place behind top-grossing Honor of Kings.

The fund's consumer holdings performed poorly as Chinese consumers remained reluctant to spend. Shares of sportswear brand Li Ning sold off as the market was concerned with Li Ning selling more into its distributor channel (in its wholesale business) than its distributors sold to end customers, which could be a precursor to higher inventory down the road if consumer confidence and sales momentum do not improve. Shares in number two baijiu distiller Wuliangye also sold off given weak earnings and concerns about inventory in its channel of liquor distributors. In financials, Ping An Insurance fell in sympathy with the property malaise and concerns about its subsidiary bank, even though its core life underwriting business showed a good improvement in premium growth, value of new business and underwriting profitability.

Over the month, we initiated positions in short video platform Kuaishou Technology and electric vehicle battery maker CATL. We like Kuaishou's recent market share gains in ecommerce and improving cash flow returns. CATL's resilience in growing its market, maintaining profitability (despite competition from other Chinese battery makers) and maintaining its technology leadership has been better than we had originally thought.

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Manager outlook

The August earnings season was weak and highly divergent in terms of earnings and cash flow. The outperformance by the Chinese services industry in the media and entertainment sector, and even the hyper competitive ecommerce sector, was pleasing as in our view these companies have been trading at attractive valuations, generating strong cash flows and demonstrating a willingness for capital management with stock buy-backs.

While Chinese policymakers have rolled out more relaxed policies to help demand in the property sector, the transmission to economic activity will take time. Stronger fiscal support will be helpful in stabilising growth and confidence. We think the government's measures should lead to some improvement in property sales and consumption growth, and it is the extent of improvement that will be in focus.

Against this backdrop, we continue to see stock specific opportunities in leading Chinese companies that are navigating this economic backdrop, delivering on earnings and cash flows and consolidating their leadership positions in their respective industries. Many of these companies have been trading at attractive valuations due to poor sentiment in China, caused by the lacklustre economic backdrop.

Source: Janus Henderson Investors, as at 31 August 2023

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Fund information (Investment policy is on the next page)

Index	MSCI Zhong Hua 10/40 Index
Morningstar sector	Europe OE China Equity
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the MSCI Zhong Hua 10/40 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	-7.8	-8.9	-8.3	-	-
YTD	-10.0	-6.2	-8.8	-	-
1 year	-12.3	-7.8	-12.0	-	-
3 years (annualised)	-16.1	-11.6	-13.5	-	-
5 years (annualised)	-6.0	-2.5	-3.0	-4.2	-0.9
10 years (annualised)	2.3	3.2	2.1	4.2	4.0

Source: at 31 Aug 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	-11.3	-6.0	-8.2
2022	-25.7	-19.0	-25.3
2021	-19.4	-18.2	-15.5
2020	29.2	30.6	37.4
2019	25.9	23.5	23.3
2018	-24.9	-18.9	-20.3
2017	52.0	54.1	46.5
2016	0.4	0.9	-1.9
2015	0.3	-7.8	-3.8
2014	8.5	8.0	4.6
2013	15.9	3.6	8.5

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 1 July 2020, the fund name changed from Janus Henderson Horizon China Fund to Janus Henderson Horizon China Opportunities Fund. From 1 July 2020, the Fund's investment policy, reference benchmark and performance target changed. Past performance shown before 1 July 2020 was achieved under circumstances that no longer apply. 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. 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

Janus Henderson Horizon China Opportunities Fund

What are the risks specific to this fund?

- 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.
- The Fund may invest in China A shares via a Stock Connect programme. This may introduce additional risks including operational, regulatory, liquidity and settlement risks.
- 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.
- Emerging markets expose the Fund to higher volatility and greater risk of loss than developed markets; they are susceptible to adverse political and economic events, and may be less well regulated with less robust custody and settlement procedures.
- 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.
- The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets. These transaction costs are in addition to the Fund's Ongoing Charges.

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 80% of its assets in a concentrated portfolio of shares (equities) of companies, of any size, in any industry, in China or Hong Kong. Companies will have their registered office in or do most of their business (directly or through subsidiaries) in this region. The Fund may invest up to 50% of its assets in China A-Shares.

The investment manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently.

The Fund may also invest in other assets including companies outside this region, investment grade bonds (including convertible bonds), cash and money market instruments.

The Fund is actively managed with reference to the MSCI Zhong Hua 10/40 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, 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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