COMMENTARY

Janus Henderson Horizon Asia-Pacific Property Income Fund

Q2 2023

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

Fund Managers Names

Tim Gibson, Xin Yan Low

Investment environment

Asian property equities declined 3.6% over the quarter, underperforming the wider equities market. Australia REITs (up 0.8%) led with positive returns with residential names and office landlords outperforming. Japan (down 1.7%) saw strong performance in developers offset by weakness in REITs, particularly hospitality names, as well as selected logistics REITs which tapped on equity markets to fund new acquisitions. Singapore (down 4.9%) underperformed, reversing some of the early gains at the start of the year, dragged by US-centric office landlords as well as commercial REITs given rising concerns around equity raises due to the pick-up in activity during the quarter. Meanwhile, Hong Kong (down 9.6%) lagged the region with retail landlords particularly weak, as the re-opening fervour faded as the recovery since the pandemic has been slower than expected.

Portfolio review

The fund (net of fees) outperformed the benchmark.

Positive contributions came from across the board, particularly Japan and Singapore. At the stock level, several of our non-benchmark holdings including Japanese developer Tokyu Fudosan, New Zealand retirement focused player Ryman Healthcare, Australian logistics owner Goodman Group, and Singapore-listed data centre landlord Digital Core REIT were key contributors. These offset the positions in Hong Kong retail landlords Link REIT and Hysan Development, given the lacklustre recovery since reopening from lockdowns.

We exited the holdings in HomeCo Daily Needs REIT in Australia to initiate a new position in National Storage REIT, where we expect healthy fundamentals in the self storage sector. We also took profit from some of our key Australian REIT holdings following a period of outperformance, to add a new position in Ryman Healthcare. Here, we like the fundamentals in the retirement village sector, which has seen a significant de-rating due to rising interest rates. In Singapore, we topped up the position in CapitaLand Ascendas REIT through participation in its placement to fund accretive acquisitions, and switched out of CapitaLand Commercial Trust into Fraser Logistics Trust amid a pick-up in equity raisings. We expect the latter to stand out in its ability to drive accretive acquisitions given its sector's low gearing. We also exited our holding in CapitaLand China Trust as the valuation no longer looked attractive to us relative to its peers. In Japan, with the announcement of a merger between the three listed REITs under the Kenedix Group, we took the opportunity to initiate a new position in Kenedix Office REIT, which was trading at a significant discount to its peers. We also added Japan Hotel REIT back into the portfolio given its relative underperformance since peaking in January. We remain positive about hotel fundamentals in Japan and valuations now look more attractive to us. These were funded with profit taking from our holdings in Nomura Real Estate Master Fund and Tokyu Fudosan.

Manager outlook

As the world is faced with slowing macroeconomic growth, Asia Pacific is partially shielded due to its slower reopening after the pandemic. The largest economies in the region, namely Japan and China, have not had to contend with interest rate hikes through this cycle. This is in stark contrast to the majority of the rest of the world where central banks have had to raise rates aggressively in order to tame inflation.

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Most property sectors across Asia Pacific are still maintaining positive rental growth, while yield expansion is expected to be mild, certainly compared to how much listed companies have priced in. Balance sheets remain under scrutiny as the interest rate theme dominates. We expect sectors with relative pricing power to help protect against rising cap rates. It therefore remains important, in our view, to be selective.

The long-term benefits of owning listed real estate remains as the asset class has historically offered lower correlations to many other asset classes and provided investors the benefits of portfolio enhancement by increasing risk-adjusted returns within a balanced portfolio. The real estate market continues to provide an attractive, reliable and growing income stream for investors, which is something we expect to be rewarded over time.

Source: Janus Henderson Investors, as at 30 June 2023

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Fund information (Investment policy is on the next page)

Index	FTSE EPRA Nareit Developed Asia Dividend Plus Index
Morningstar sector	Europe OE Property - Indirect Asia
Objective	The Fund aims to provide a sustainable level of income, with a dividend yield higher than that of the FTSE EPRA Nareit Developed Asia Dividend Plus Index, plus the potential for capital growth over the long term (5 years or more).

Performance in (USD)

Performance %	A2 (Net)	Index	Sector
1 month	-0.4	-1.0	-0.1
YTD	-4.4	-5.0	-4.9
1 year	-8.7	-6.0	-7.8
3 years (annualised)	-2.6	0.2	-2.6
5 years (annualised)	-1.4	-1.6	-2.9
10 years (annualised)	0.1	1.0	0.3

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	-4.4	-5.0	-4.9
2022	-14.8	-11.6	-14.8
2021	0.7	5.0	0.4
2020	-1.5	-9.1	-7.0
2019	20.9	16.9	17.4
2018	-5.1	-1.0	-3.7
2017	15.5	15.7	19.2
2016	0.9	6.5	3.4
2015	-4.8	-7.5	-5.0
2014	-3.4	-0.3	2.7
2013	5.6	6.5	-0.6

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's investment objective, reference benchmark and performance target changed. Past performance shown before 1 July 2020 was achieved under circumstances that no longer apply. From 1 July 2020, the fund name changed from Janus Henderson Horizon Asia-Pacific Property Equities Fund to Janus Henderson Horizon Asia-Pacific Property Income Fund.

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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.
- In addition to income, this share class may distribute realised and unrealised capital gains and original capital invested. Fees, charges and expenses are also deducted from capital. Both factors may result in capital erosion and reduced potential for capital growth. Investors should also note that distributions of this nature may be treated (and taxable) as income depending on local tax legislation.
- 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.
- The Fund is focused towards particular industries or investment themes and may be heavily impacted by factors such as changes in government regulation, increased price competition, technological advancements and other adverse events.
- 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 invests in real estate investment trusts (REITs) and other companies or funds engaged in property investment, which involve risks above those associated with investing directly in property. In particular, REITs may be subject to less strict regulation than the Fund itself and may experience greater volatility than their underlying assets.
- 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.
- Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth.
- 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 75% of its assets in a concentrated portfolio of shares (equities) and equity-related securities of real estate investment trusts (REITs) and companies, of any size, which invest in property, in the Asia Pacific region. Securities will derive the main part of their revenue from owning, developing and managing real estate which in the view of the Investment Manager offer prospects for above average dividends or reflect such prospects.

The Fund may also invest in other assets including investment grade government bonds, 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 FTSE EPRA Nareit Developed Asia Dividend Plus Index, which is broadly representative of the securities in which it may invest, as this forms the basis of the Fund's income 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.

Janus Henderson Horizon Asia-Pacific Property Income Fund

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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Important information

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

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