Janus Henderson INVESTORS

JANUS HENDERSON HORIZON FUND - CHINA OPPORTUNITIES FUND

A2 USD ISIN LU0327786744

At a glance

Performance
The Fund returned 0.22%, the Index returned -0.51% and the Sector returned 0.61%.

Contributors/detractors
TSMC and Techtronic were strong performers over the month. AIA and New Oriental detracted from performance.

Outlook
There are initial signs of a bottoming out of the economy, but whether economic growth will prove to be sustainable is being monitored.

Portfolio management

May Ling Wee, CFA

Investment environment

- Chinese manufacturing purchasing managers' index (PMI) data recovered in March to 50.8 (from 49.1 the previous month). This marked its highest level in the past 12 months and beat market expectations of 50.1.
- Fixed asset investment year-to-date was up 4.2% year-on-year, and also beat market expectations of 3.2%. Meanwhile, retail sales rose 5.5% year-on-year, which was consistent with expectations.
- On the other hand, primary property sales continued to see weakness, with new home sales for the country's top 30 cities declining 50% year-on-year.
- The stock market consolidated in March, with an initial muted market response after the National People's Congress (NPC) meeting as the economic growth target and other major policy announcements were in-line with expectations.
- Investor sentiment was boosted in the middle of the month following news that the State Council convened banks and insurance companies to support Vanke, while the State Council rolled out an action plan on large equipment renewals and trade-ins of consumer goods.
- Towards the end of the month, there was some profit-taking given the mixed 2023 full-year results announced by listed companies.

Portfolio review

TSMC and Techtronic contributed most positively to performance over the month. TSMC attended the broker conference in March and reaffirmed its long-term revenue growth target of 15-20% compound annual growth rate (CAGR), stating that it expects activities around artificial intelligence (AI) to contribute high-teens revenue in 2027 on 50% CAGR.

The firm intends to double the output of advanced packaging in 2024, which was the bottleneck for AI graphics processing units (GPU) last year. Techtronic posted a good set of 2023 full-year results in March with second half 2023 revenues up 10% versus the market's expectations of 2% growth. Its net profit also beat market expectations by around 6%, while the company posted record-high free cash flow in 2023 - another positive surprise.

AIA and New Oriental Education detracted from performance. AIA posted a set of 2023 results that were in line with expectations, with the value of new business up 33% year-on-year. However, its embedded value was down 2%, given soft equity market performance of major markets, lower bond yields in China, and a decline in the value of its investment in China Post Life. The share price weakness reflects concerns over the long-term investment returns assumptions. For New Oriental, we are not aware of any negative news, but observed a rotation within the consumer service space from secular growth-style stocks (such as education) to more cyclical growth-style stocks (such as catering).

Over the month, we initiated new positions in Samsonite and Full Truck Alliance. Samsonite is the largest travel luggage company globally, and has been benefiting from global tourism demand recovery. The possible secondary listing in the developed market may help boost liquidity, while it was trading at a valuation that was sitting at a big discount to its peers, despite its global footprint and diversified exposure.

Full truck Alliance is an online logistics service platform linking drivers and merchants. The company has seen strong order volume growth driven by rising online penetration, and its management team expects the take-up rate to increase over time.

We also closed a few positions. These included HK Exchange, which suffered from low average daily volumes and a light initial public offering (IPO) pipeline, with a demanding valuation of more than 20x one-year forward price-to-earnings (P/E) ratio.

We also sold Tsingtao Brewery as there appears to be little industry growth, while Tsingtao lags its peers in efforts to make its products more premium. Meanwhile, there have been ESG concerns after an incident in which a worker was caught urinating into a beer tank late last year.

Manager outlook

March demonstrated that although investor sentiment has not recovered entirely, it did not deteriorate. There are initial signs of a bottoming out of the economy, but whether economic growth will prove to be sustainable will need to be monitored over the following months.

Policy support, such as a further cut to the reserve replacement ratio (RRR), incremental fiscal spending, or any policies supporting new economy areas with Xi's intention to build "new productive forces", could all help to boost market sentiment.

At the same time, the geopolitical situation also has an influence on the Chinese market. President Xi met with US CEOs in Beijing and urged them to invest in China, indicating that China is planning and implementing measures to deepen reform further.

We like companies with structural growth in areas such as AI or supply-chain automation, those making efforts to enhance shareholder returns with higher dividends and payouts, and companies that are proactively exploring global opportunities.

Performance (%)

Returns	Cumulative				Annualised		
	1 Month	**3 Month**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
A2 USD (Net) with sales charge	-4.79	-7.73	-7.73	-23.03	-22.18	-8.76	0.02
Index	-0.51	-3.92	-3.92	-17.82	-17.68	-5.13	1.89
Sector	0.61	-2.26	-2.26	-19.48	-19.26	-5.64	0.82
A2 USD (Net)	0.22	-2.87	-2.87	-18.98	-20.83	-7.82	0.53

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019
A2 USD (Net)	-2.87	-16.59	-25.74	-19.36	29.24	25.90
Index	-3.92	-11.87	-19.04	-18.19	30.62	23.46
Sector	-2.26	-15.68	-25.35	-15.52	37.36	23.26

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. **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.**

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.

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.

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Fund details

Inception date	25 January 2008
Total net assets	$56.52m
Asset class	Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	MSCI Zhong Hua 10/40 Index
Morningstar sector	China Equity

Investment objective

The Fund aims to provide capital growth over the long term. 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 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 in derivatives (complex financial instruments) and also up to 50% of its assets in China A Shares.

Fund specific risks

The Fund follows a growth investment style that creates a bias towards certain types of companies. This may result in the Fund significantly underperforming or outperforming the wider market. 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.

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