

Janus Henderson Global Property Income Fund

Q1 2020

Fund manager names: Tim Gibson & Guy Barnard, CFA

Market backdrop

After a strong start to the year for Global equities, sentiment turned negative and equities suffered a dramatic sell-off over the latter part of the quarter. We saw extreme volatility as the true crippling impact of Covid-19 on the global economy became clearer. As the crisis unfolded, a grab for liquidity and wide spread de-risking saw correlations across all asset classes increase, with few hiding places. However, central bank actions to provide significant liquidity to credit markets, alongside further rate cuts, combined with significant government stimulus packages to help businesses and individuals mitigate the severe consequences of economies shutting down, helped markets recover some of their losses toward the end of the month.

Property equities also fell sharply, lagging the wider equity market, as investors concerns turned to those sectors with higher levels of leverage. Divergence in performance by property sector was stark as it became clear that certain parts of the real estate market would face immediate cash flow impacts as a result of the crisis, most notably with the closure of many retail assets and hotels.

Whilst REITs sold off heavily, divergence in performance by property sector proved to be stark. Sub-sectors that have been the biggest underperformers have been those most directly affected by COVID-19, primarily Shopping Malls, Hotels, and Healthcare, where virus containment efforts have only served to accelerate already unfavourable operating fundamentals, resulting in selective dividend cuts or suspensions. The sectors experiencing more favourable demand/supply dynamics, and that could see secondary benefits from the impact of the virus proved to be more resilient. These have included Industrial/Logistics, Rental Residential, Storage, and Specialty sectors, such as Data Centers and Cell Towers.

Fund performance and activity

The fund* underperformed its benchmark, as positive stock selection in Asia was offset by negative selection in North America. Here, an overweight stance to US shopping centre owners Kite Realty and Site Centres, and hotel owner Park Hotels detracted. This was partially offset by stronger performance from US lab space owner Alexandria, gaming landlord MGM Properties, and J-REIT LaSalle Logiport.

The fund is investing in-line with our stated strategy. We are seeing good opportunities to invest in REITs backed by high quality real estate assets, with sound balance sheets, at valuations we believe offer good medium-term growth potential and attractive income yields today.

We sold out of UK diversified large cap British Land, following their recent decision to pass on dividend, with proceeds added to a new position in Tritax Bigbox REIT who are well positioned to benefit from the growth in e-commerce given their high quality portfolio of industrial/logistics properties. In Asia, we exited Japanese hotel owner Invincible Investment, as we expect hotel fundamentals to deteriorate given the impact of Coronavirus on travel in the region. In the office sector, we added Japan focused Invesco Office REIT, where we see scope for healthy rental growth.

* Gross of fees - gross of 5% initial sales charge. Calculated on a NAV to NAV basis, with gross income reinvested at NAV price, in SGD.

Note: Reference to any specific company or stock is for information purposes only and should not be construed as a recommendation to buy or sell the same.

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The prospectus and Product Highlights Sheet of the Fund is available and may be obtained from the Manager's office and the authorised distributors' offices. Investors should read the prospectus and Product Highlights Sheet before deciding whether to invest in the units of the Fund.

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