COMMENTARY

Janus Henderson Horizon Asia-Pacific Property Equities Fund

April 2019

Fund manager names: Tim Gibson

Overview

Asian property equities (-3.2%) underperformed general equities over the period as market attention shifted towards growth sectors. Singapore (+0.4%) outperformed the region as strength in the retail, office and industrial sectors were evident from healthy operating metrics reported in first quarter results. Japanese REITs also outperformed as the Bank of Japan extended its low rate policy till Spring 2020. Meanwhile, Hong Kong (-2.4%) took a breather after a strong run in the first quarter while Australian REITs (-3.8%) and Japanese developers (- 7.1%) also retraced following their recent outperformance in March.

Performance and activity

The fund outperformed* the index over the period with positive contribution across the board, particularly from Japan. Key contributors include our underweight positions in Sumitomo Reality and Mitsubishi Estate given the underperformance of Japanese developers over the month, our underweight position in Scentre Group as well as our position in off-benchmark holding Ayala Land which outperformed on the back of news of the potential launch of Philippines first REIT.

We switched out of our position in Hong Kong Land after its outperformance and added Mapletree North Asia Commercial Trust. We also sold out of our holding in Japanese developer Hulic Group, given challenges in its asset recycling business model, and added Mitsui Fudosan Logistics Park REIT, which we like for the healthy growth profile supported by its sponsor. In Singapore we took the opportunity to add Mapletree Logistics Trust given over reaction on the downside to news of a potential default by one of its tenants, which we funded with the sale of City Developments and Ascendas REIT. We also took some profit from Mirvac after its stellar performance year-to-date.

Outlook

Since the beginning of the year there has been a material dovish shift by major global central banks. The US Federal Reserve has effectively called an end to this rate hike cycle and laid out plans to cease trimming its balance sheet. 10-year bond yields fell sharply and rising concerns over global growth caused the yield curve to invert for the first time since 2007. Under this backdrop, property equities are poised to benefit as investors focus on companies with good earnings and dividend growth.

Fundamentals for the listed property sector are robust as supply and demand remains well balanced in our region. Our focus remains on companies capable of growing income and dividends and those best placed to benefit from technological advances, which are changing consumer behaviour and altering the needs and uses for real estate. Also, as market-wide growth slows, we place greater emphasis on quality assets, balance sheets and management teams. In our experience the value of these factors always comes to the fore at this point in the cycle. We continue to play to our strengths, reducing macroeconomic risks and focusing on bottom-up stock selection to drive returns through a concentrated, high conviction portfolio.

Source: Janus Henderson Investors, as at 30 April 2019

Janus Henderson
INVESTORS

* Gross of fees - gross of 5% initial sales charge. Calculated on a bid to bid basis, with gross income reinvested in USD.

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.

Janus Henderson Investors (Singapore) Limited Company Registration No. 199700782N
Date of issue: May 2019

Janus Henderson
INVESTORS