

JAPAN OPPORTUNITIES FUND

At a glance

Performance*

The Fund returned 2.13%, the Index returned 3.36% and the Peer Group returned 0.72%.

Contributors/detractors

Pan Pacific International Holdings (PPIH) and Toyota Motor were major contributors while Renesas Electronics and Olympus were main detractors.

Outlook

We like the current market set-up as valuations seem reasonable and earnings are expected to grow. We think reforms in lower-growth companies could result in further inflows to Japanese equities.

Portfolio management



Junichi Inoue

Investment environment

- Global equity markets struggled to make progress over the quarter. The oil price rose over 25% and this led to concerns about its inflationary impact, while central banks in major economies continued to increase interest rates. While the risk of an economic 'hard landing' (recession) appeared to decrease, strong US macroeconomic data on top of the US debt ceiling crisis led investors to believe that interest rates would have to stay higher for longer. Global bond markets fell with the US 10-year Treasury yield reaching its highest level in 16 years.
- In Japan, the TOPIX Index rose around 2% in yen terms and fell around 1% in US dollar terms, as the yen continued to depreciate. Expectations of the Bank of Japan's (BoJ) monetary policy change had been a significant topic. In July, it widened the trading band by 50 basis points (bps) to 1.0% in its yield curve control operation, while keeping interest rates at -0.1%. This implied that the interest rate gap would stay wider for longer, and the yen weakened further.
- In terms of style, value stocks continued to perform strongly as investors sought out low price-to-book (PBR) stocks, given the Tokyo Stock Exchange's initiatives to push listed companies towards reform. The combination of higher interest rates and resilient fundamentals also supported this trend. In contrast,

growth-style stocks remained out of favour as valuations still seemed demanding.

Portfolio review

The rally in value stocks impacted fund performance negatively as lower-quality stocks seemed to be being bid upwards. However, this was largely offset by our stock selection.

The fund's holding in Pan Pacific International Holdings (PPIH) was the biggest positive contributor as domestic retail sales were strong, while a recovery in sales from inbound tourists was expected. Toyota Motor was another positive contributor following the announcement of its historically high first quarter profits and strong earnings outlook. In contrast, Renesas Electronics contributed negatively after an extremely strong run over the previous quarters. Shares in Olympus also fell as the market became concerned about the impact of anti-corruption action in the Chinese healthcare sector.

In terms of trading activity, we trimmed a number of positions where the shares have had a strong run. We established a position in Canon Marketing Japan given the company's aims of better capital allocation.

Manager outlook

Despite a strong run so far this year, we continue to like the risk-reward balance in Japanese equities. Inflation appears to be under control in many major economies, and although a slowdown in the global economy remains a key

Marketing communication

Past performance does not predict future returns.

*For benchmark/usage and peer group, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

concern, monetary policy can certainly be less restrictive if inflation falls. The outlook for corporate earnings has been improving thanks to a weaker yen and lower input costs, while companies have been successfully resetting margins through price hikes for the first time in decades.

Due to strong markets, share price valuations moved from what we considered to be very attractive levels to (still) attractive levels as the market's price-to-earnings (P/E) ratio shifted from 13 times to 14.5 times (for the full-year to March 2024). We believe this level of valuation can be justified without much earnings per-share (EPS) growth. The market does not seem to have been as selective, as the P/E ratio is within a very narrow range for companies operating in similar business. To us, this seems like a great

opportunity for stock-pickers. We think buy-and-hold type strategies such as ours have an advantage from this point on in the economic cycle.

We are also focused on governance improvement as a key value driver of the portfolio, as we believe it will lead to better capital allocation decisions. We have strong confidence in the stocks we own and will continue to focus on stock picking, which we expect to be a key determinant of fund performance.

Source: Janus Henderson Investors, as at 30 September 2023

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (30/09/74)
I Acc (Net)	2.23	2.13	9.83	15.05	3.80	4.62	9.18	8.88
Index	1.80	3.36	9.54	15.15	4.81	3.28	7.82	9.24
Peer Group	0.72	0.72	6.95	10.76	2.78	2.55	7.15	8.85
I Acc (Gross)	—	—	—	—	—	5.52	10.11	9.82
Target	—	—	—	—	—	5.34	9.98	11.43

12 month rolling

	Sep 2022- Sep 2023	Sep 2021- Sep 2022	Sep 2020- Sep 2021	Sep 2019- Sep 2020	Sep 2018- Sep 2019
I Acc (Net)	15.05	-14.87	14.18	10.97	1.00
Index	15.15	-13.53	15.64	2.38	-0.32
Peer Group	10.76	-15.85	16.49	5.66	-1.15

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/09/23. © 2023 Morningstar, Inc. All rights reserved. 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.**

Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors. This is a representative share class for the fund, other share classes are available and may be more suitable for your investment needs.

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.

Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the TOPIX Index by 2% per annum, before the deduction of charges, over any 5 year period.

For the fund's investment policy, refer to the Additional fund information on page 4.

Past performance does not predict future returns.

Fund details

Inception date	24 September 1973
Total net assets	32.56m
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	Tokyo Stock Exchange First Section Index (TOPIX)
Peer group	IA Japan Equity

For benchmark/usage description, refer to Additional fund information on page 4.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. From 1 April 2015, the Henderson Japan Capital Growth Fund changed its name and benchmark to become the Henderson Japan Opportunities 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. The TOPIX Index Value and the TOPIX Marks are subject to the proprietary rights owned by JPX Market Innovation & Research, Inc. or affiliates of JPX Market Innovation & Research, Inc. (hereinafter collectively referred to as "JPX") and JPX owns all rights and know how relating to TOPIX such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Marks. No Licensed Product in is any way sponsored, endorsed or promoted by JPX. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

The Tokyo Stock Exchange First Section Index (TOPIX) is a measure of the combined performance of a large number of the companies listed on the Tokyo Stock Exchange. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Investment policy

The Fund invests at least 80% of its assets in a concentrated portfolio of shares (also known as equities) of companies, of any size, in any industry, in Japan. Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, Japan. The portfolio may be concentrated in terms of its number of holdings and/or the size of its largest holdings. The Fund may also invest in other assets including cash. 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 TOPIX 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. As an additional means of assessing the performance of the Fund, the IA Japan sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

Investment strategy

The investment manager seeks to achieve long-term capital appreciation by investing in undervalued, cash-generative and capital-efficient businesses, which can create value for investors. The focus is on stock selection, which is a result of rigorous, fundamental research and a strict valuation discipline, and incorporates strong risk management. The fund is a diversified portfolio of companies across a variety of sectors, which the manager believes has the potential to perform well over time.

Fund specific risks

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. 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. 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.

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