

# FUND COMMENTARY

## Global Real Estate Fund

### Market Environment

- Global equities rose sharply as hopes for an acceleration in global growth saw the yield curve steepen. Real estate investment trusts (REITs) had a positive quarter but underperformed relative to cyclical sectors, which proved more in vogue.
- In the U.S., dispersion at the sector level continued, with rotation into some of the more discounted cyclical sectors such as lodging and office and away from sectors exhibiting weaker supply and demand fundamentals, particularly self-storage, health care and shopping malls.
- Merger and acquisition activity was prevalent. U.S. industrial landlord Prologis announced an agreement to acquire peer Liberty in an all-stock deal worth \$12.6 billion. The transaction provides evidence of strong pricing for large, geographically diverse portfolios of industrial assets. Conversely, Brookfield's \$3.2 billion planned acquisition of a four-mall portfolio from JPMorgan provides evidence that shopping mall asset values have fallen considerably over the past two years, with negative implications for perceived valuations of Class A mall REITs.
- In the data center sector, Digital Realty announced an \$8.4 billion acquisition of European-focused peer Interxion as consolidation continued apace in a sector underpinned by healthy demand growth. In gaming, MGM announced the sale of the Bellagio in Las Vegas to Blackstone at a price representing a significant premium to prior Vegas deals and marking the entrance of new institutional capital into what remains a nascent property sector.
- Europe property stocks had a stellar quarter, with UK REITs rallying after the UK general election, which saw Prime Minister Boris Johnson's Conservative Party establish a large majority. This provides some clarity on Brexit, with the UK expected to exit the European Union in early 2020.
- In Asia Pacific, China led the region, while Hong Kong lagged as ongoing protests escalated.

### Performance Summary

The Fund outperformed its primary and secondary benchmarks, the FTSE EPRA Nareit Global Index and FTSE EPRA Nareit Global Net Index, respectively, driven largely by strong stock selection in North America and Europe. Stock selection in China and Hong Kong detracted from relative performance.



For detailed performance information, please visit [janushenderson.com/performance](https://janushenderson.com/performance).

### Portfolio Discussion

In the U.S., we sold a REIT that owns and operates real estate assets in the Washington, D.C. region and whose shares re-rated on the back of it exiting some high-risk retail positions. We added a New York office REIT with what we consider a deeply discounted valuation despite its attractive development pipeline. Elsewhere, we sold a European data center owner and added a global cell tower owner that we believe will benefit from the long investment runway for new tower acquisitions and

development. In Canada, we added a Toronto-based industrial landlord on the expectation of accelerating rent growth and new acquisitions.

In Europe, we added a high-quality, in our view, Oslo-focused office owner whose public-sector income streams are in strong demand, combined with potential development upside. We added a large-cap UK-based property development and investment REIT, a position we believe will mitigate some of the top-down risk posed by Brexit. In Asia, we shifted from underweight to overweight Hong Kong, which had sold off heavily following protests, and initiated new positions in a Hong Kong developer, a Chinese developer and a Japanese logistics REIT on the back of attractive valuations. We added a Singapore-listed REIT that has exposure to a fast-growing portfolio of Indian business parks. We exited our position in a

Philippines developer that reported weak results, which suggested slowing momentum in residential sales.

Stock selection in North America and Europe aided relative outperformance. An overweight to alternative property sectors proved beneficial, as did an underweight to U.S. health care and storage, which lagged on the back of weaker-than-anticipated earnings reports. In the U.S., top absolute contributors included gaming REIT VICI and global hotel operator Marriott. In Europe, London office developer Helical also contributed positively.

Stock selection in Hong Kong, China and Japan detracted from relative performance. Positions in Japanese real estate developer Mitsui Fudosan, SITE Centers, a U.S. REIT that invests in shopping malls, and Americold Realty, a REIT specializing in temperature-controlled warehouses, were among the Fund's largest absolute detractors.

Top Contributors	Ending Weight (%)	Contribution (%)
China Resources Land Ltd	3.96	0.64
VICI Properties Inc	3.29	0.44
Helical PLC	1.14	0.29
Segro PLC	1.54	0.27
Marriott International Inc/MD	1.24	0.24

Top Detractors	Ending Weight (%)	Contribution (%)
CubeSmart	1.51	-0.17
SITE Centers Corp	1.54	-0.14
Americold Realty Trust	2.66	-0.13
Link REIT	1.89	-0.09
Mitsui Fudosan Co Ltd	3.73	-0.08

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434 or visit [janushenderson.com/info](http://janushenderson.com/info).

## Manager Outlook

Looking ahead, although capital growth has moderated, the underlying fundamentals for the listed property sector remain robust. Recent moves lower in bond yields and interest rate expectations should provide further investor demand for physical real estate, a real asset which can offer an attractive and growing income stream. However, the spread of returns at a property level is likely to widen in the years ahead given both cyclical and structural forces, meaning it is increasingly important to be selective.

Against this backdrop, we will continue to play to our strengths, aiming to reduce macro risks and focusing on bottom-up stock selection to drive returns through a concentrated, high-conviction portfolio. The focus remains on companies capable of growing income and dividends and those best placed to benefit from technological advances, which are changing consumer behavior 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 comes to the fore at this point in the cycle.

## Portfolio Management



**Guy Barnard, CFA**



**Tim Gibson**



**Greg Kuhl, CFA**

For more information, please visit [janushenderson.com](http://janushenderson.com).

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—INVESTORS—

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Past performance is no guarantee of future results. Call 800.668.0434 or visit [janushenderson.com/performance](http://janushenderson.com/performance) for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 12/31/19 the top ten portfolio holdings of Janus Henderson Global Real Estate Fund are: Prologis Inc (4.25%), Sun Hung Kai Properties Ltd (4.14%), China Resources Land Ltd (3.96%), Mitsui Fudosan Co Ltd (3.73%), Alexandria Real Estate Equities Inc (3.60%), VICI Properties Inc (3.29%), Healthpeak Properties Inc (2.88%), Duke Realty Corp (2.71%), Americold Realty Trust (2.66%) and Sun Communities Inc (2.60%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 12/31/19 and are subject to change without notice. Janus Henderson may have a business relationship with certain entities discussed. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

Investing involves risk, including the possible loss of principal and fluctuation of value.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Real estate securities, including Real Estate Investment Trusts (REITs) may be subject to additional risks, including interest rate, management, tax, economic, environmental and concentration risks.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole.

Initial Public Offerings (IPOs) are highly speculative investments and may be subject to lower liquidity and greater volatility. Special risks associated with IPOs include limited operating history, unseasoned trading, high turnover and non-repeatable performance.

FTSE EPRA Nareit Global Index tracks the performance of real estate companies and real estate investment trusts (REITs) from developed and emerging markets, and is shown gross or net of foreign withholding taxes.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

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