

# Henderson Horizon Asia-Pacific Property Equities Fund

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June 2016

**Fund manager name: Tim Gibson**

## Overview

The unexpected 'Leave' result following the UK's referendum on EU membership on 23 June drove an initial sharp sell-off in global equities, with European markets bearing the brunt, accompanied by wild swings in the currency markets. Since then markets have stabilised and recovered some of these losses.

Asian equities (+3.6%) rose over the period. The Bank of Japan kept its monetary policy unchanged in June, and lowered its inflation expectations. Japanese developers (-4.4%) and REITs (-4.7%) declined, but outperformed in US dollar terms as the yen appreciated a whopping 7% against the dollar. Hong Kong (+5.0%) and Singapore (+5.0%) rose after the UK's referendum result as investors rotated into more politically stable jurisdictions supported by relatively steadier currencies. China (+0.7%) lagged as MSCI delayed the inclusion of China A-shares into its index yet again. Australia (+6.5%) outperformed strongly, driven by strong investor appetite for stable yields.

## Performance and activity

The fund (net of fees) underperformed the index for the period. Our overweight positions in Orix JREIT, Scentre Group and GLP JREIT contributed positively, while our overweight position in Invincible Investment and underweight positions in United Urban and Japan Retail Fund detracted from returns.

At the beginning of the period we switched our JREITs holdings, increasing the fund's position in GLP JREIT and initiating a position in Nomura Real Estate Master Fund, funded by profits from Daiwa Office Investment and LaSalle Logiport REIT. We also added to Link REIT.

## Outlook

The surprise outcome of the UK's 'Leave' vote has reintroduced a huge amount of volatility in financial and foreign currency markets. This decision will have far-reaching consequences, the magnitude and scope of which will only become clearer over time. The elevated level of uncertainty will have negative economic costs, with GDP growth in the UK and eurozone likely to decline. With risk levels elevated, we believe that monetary policy around the globe will remain loose. As a result, we anticipate that the current environment of lower interest rates for longer to continue for some time. We are also of the view that income will become an increasingly important component of total return. Against such a backdrop, quality management teams and sound capital structures are more important than ever.

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