

Janus Henderson Horizon Pan European Property Equities Fund

August 2019

Fund manager names: Guy Barnard & Nicolas Scherf

Overview

August was a volatile month for markets with news flow dominated by the ongoing US China trade war. Investors subsequently fled to relative safe-haven markets and sectors, and global bond yields continued to further decline (and prices rise) fuelled by growth concerns. As a relatively defensive sector offering an attractive dividend yield, the property sector significantly outperformed other markets over the month.

Stocks in Switzerland as well as Sweden performed particularly well. Conversely, German residential stocks weighed on the sectors performance owing to the ongoing Berlin rental freeze discussion, where the Berlin Senate has published a draft law that aims to introduce a rent freeze for the city in 2020. Overall, the funds benchmark index returned 3.3%.

Performance and activity

The fund* underperformed its benchmark over the period.

An absence of Swiss stocks proved detrimental given their safe-haven status and positions in German residential companies also detracted. Positive contributors included an underweight position to Continental retail landlords, Swedish commercial landlord Wihlborgs and Balder and UK self-storage operator Safestore.

Trading activity was light over the month. We took profits in Irish REIT Green following confirmation of a bid for the business at a premium to both share price and net asset value. Elsewhere, we added to German residential owner Deutsche Wohnen where we see value.

Outlook

While European growth looks to be slowing and political uncertainty remains we continue to believe real estate's offer of a high income yield with predictable growth characteristics should provide attractive returns - particularly given the backdrop of ongoing low interest rates and bond yields. However, the spread of returns at a property level is likely to widen in the years ahead given cyclical and structural forces, meaning it is increasingly important to be selective.

Listed real estate stocks in Europe continue to trade at a discount to net asset value (NAV), meaning it remains cheaper for investors to buy property through shares than physical real estate. We continue to find opportunities to buy companies offering attractive growth stories at discounted valuations which do not appear to reflect the inherent value of their assets. More widely, the robust income streams of the European property equities sector are currently offering a dividend yield of over 4%, which we forecast to grow by about 4% per annum for the next two years.

Source: Janus Henderson Investors, as at 31 August 2019

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

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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