

EUROPEAN MID AND LARGE CAP FUND

At a glance

Performance*

The Fund returned 3.57%, the Index returned 3.71% and the Peer Group returned 3.45%.

Contributors/detractors

Positive momentum in the banking sector propelled BNP to the top spot in terms of performance contribution, whereas profit-taking made Besi (a star performer for months) the main detractor.

Outlook

While the underperformance of medium-sized companies has created challenging conditions for our approach, we remain confident that the solid fundamentals of the space will eventually shine through.

Portfolio management



Marc Scharz, CFA

Investment environment

Markets continued to move higher in March, although they moved differently from the previous two months. For the first time this year, the monthly performance of mid caps was on par with that of large caps. On a similar note, value outperformed growth during March. Solid economic data, particularly in the US, moderated expectations for the number of interest rate cuts to be implemented by central banks during the remainder of 2024. In this context, banks and retail led the market higher.

Portfolio review

Among the main positive contributors were BNP, Spie and Renk. As one of Europe's leading banks, BNP's performance is a reflection of the positive momentum in the sector mentioned above. Moreover, comments by management at various March conferences suggest that the underwhelming results printed by the bank in the last quarter of 2024 were more of a blip rather than a reflection of underlying issues.

French electrical installation and maintenance company Spie has been a high conviction holding in the fund for some time, as we had identified the material value opportunity stemming from its transformation from a resilient but underwhelming business into a core enabler of the green energy transition.

During March, the company printed another set of quarterly results underpinning this thesis. Renk, the global leader in propulsion systems for military vehicles, continued its strong performance following its February initial public offering, reflecting ever-growing geopolitical tensions and the related investment surge in European defence.

On the other hand, Dutch semiconductor equipment maker Besi was the biggest detractor from performance as rumours emerged suggesting a delay in the adoption of the hybrid-bonding technology championed by the company. While the longer-term fundamental repercussions of such a delay would actually be limited, the stock has been a star performer for several months, and hence some profit-taking driven share-price consolidation is not overly surprising.

We initiated a position in the Dutch 'small cap' industrial conglomerate TKH. Overall, the company generates decent returns; however, the shares have underperformed the industrial sector significantly since the beginning of 2023 (by 25%), reflecting the general underperformance of mid-cap industrials, some cyclical pressures, a temporary/regulatory slowdown in Dutch grid investments (impacting the cable division) and some homemade headwinds (ill-timed capacity expansions weighing temporarily on margins).

Marketing communication

Past performance does not predict future returns.

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*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.

With several of the aforementioned headwinds likely to lessen during 2024, the earnings outlook for the group should improve. We also made a switch in our bank stocks, taking profits in Danske Bank to finance a new position in Austrian lender Erste Bank. We locked in profits in Danish biotech group Zealand Pharma after the stock more than doubled over one year. While we remain optimistic about the company's weight loss drug pipeline, the risk-reward equation started to look less appealing after an exceptional share-price move.

Manager outlook

We are likely to be in the final phase of the rate-hiking cycle, which is the main driver of the currently unfolding economic slowdown. While the debate around hard versus soft landing is difficult to call at this stage, rates have peaked, or are close to peaking, which should help establish the conditions for economic uncertainty to

gradually dissipate in the coming quarters. We believe that the monetary-tightening cycle and the uncertainties it brings were the main driver for the significant and occasionally indiscriminate underperformance of mid-caps.

This has resulted in a material relative de-rating of the latter, thus creating a challenging backdrop for our approach (i.e. our portfolio is biased towards medium-sized companies).

The likely end of monetary tightening should allow the solid fundamentals of medium-sized companies in general, and especially those in which we invest, to shine through again, hence creating more benign conditions for our approach. Consistent with our core approach, the fund is set up in a balanced way in terms of factor/sector exposures making relative performance not dependent on a specific macroeconomic development.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (20/07/01)
I Acc (Net)	3.57	7.76	7.76	12.12	8.97	9.94	9.16	9.60
Index	3.71	6.85	6.85	13.78	9.63	10.34	8.70	7.49
Peer Group	3.45	6.44	6.44	12.45	7.75	9.64	7.99	7.10

12 month rolling

	Mar 2023-Mar 2024	Mar 2022-Mar 2023	Mar 2021-Mar 2022	Mar 2020-Mar 2021	Mar 2019-Mar 2020
I Acc (Net)	12.12	9.35	5.54	38.33	-10.25
Index	13.78	8.73	6.51	34.86	-7.96
Peer Group	12.45	6.60	4.36	39.55	-9.23

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. © 2024 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.

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.

Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the FTSE World Europe Ex UK Index, after 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	01 July 2001
Total net assets	806.00m
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	FTSE World Europe (Ex UK) Index
Peer group	IA Europe ex UK 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. 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 10 November 2023 the Fund name changed from Janus Henderson European Growth to Janus Henderson European Mid and Large Cap Fund. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

The FTSE World Europe (Ex UK) Index is a measure of the combined performance of large and medium sized companies from developed and advanced emerging European stock markets excluding the UK. It is the performance target for the Fund 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 shares (also known as equities) of companies, in any industry, in Europe (excluding UK). Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, this region. The Fund may invest in companies of any size, but will normally have a strong bias towards medium sized companies with the potential to grow into large sized companies. The Fund may also invest in other assets including cash and money market instruments. 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 FTSE World Europe Ex UK 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 Europe ex UK 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 identify companies with hidden quality by focusing on company profitability and the efficiency with which capital is used. The Fund may invest in companies of any size, but will have a bias to medium sized companies as these often have attractive niches, potential to grow into large sized companies, or could be potential takeover targets in the future. The manager takes a long term view, looking beyond short term data, while the risk management process focuses on identifying risks specific to the companies and industries in which the Fund may be exposed rather than in relation to the wider market.

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. Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses. 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. 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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INVESTORS

FOR MORE INFORMATION PLEASE VISIT [JANUSHENDERSON.COM](https://www.janushenderson.com)

Source: Janus Henderson Investors, as at 31 March 2024, unless otherwise noted.

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