COMMENTARY

Janus Henderson Pan European Fund

Q2 2023

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Managers Names

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Investment environment

The market started to price in a recession in response to signs that the hitherto ravenous appetite of the US consumer may finally be satiated. Household savings that had been put aside during the Covid pandemic are being exhausted while the sense of economic uncertainty has crept into spending decisions. Moreover, the Chinese economic reopening may not be as robust as hoped, prompting calls for the Chinese authorities to implement further stimulus measures. Support for the Chinese property market is likely the most potent prescription for economic stagnation, but this conflicts with President Xi's philosophy that "housing should be for living in, not speculation". Investors are left struggling to form a cohesive view of what comes next in China. Meanwhile, we saw another wave of excitement around artificial intelligence (AI), as Nvidia provided very strong second quarter revenue estimates thanks to demand for its leading AI-compatible chips.

In addition, investors are still trying to make their mind up on the timing and depth of any recession. Consequently, market leadership has continued to narrow with a handful of stocks accounting for the majority of the index's year-to-date performance, as market participants seemed to seek safety. June perhaps hinted at the pitfalls of such a strategy. A number of cyclical stocks, especially in the chemicals sector, issued profit warnings, largely as a result of de-stocking. While the concern is that end demand is the bigger issue, a number of the stocks concerned have in fact responded with positive share price reactions. There are signs, therefore, that the market is attempting to anticipate inflection points in selected cyclicals.

Another important factor in June was falling headline inflation but stickier core inflation, where eurozone Consumer Price Inflation (CPI) was at 5.5% year-over-year versus core CPI of 5.4% year-over-year. Regular readers of these commentaries will be familiar with our view that inflation should prove sticky, owing to entrenched labour expectations (causing higher salary increase demands) as well as the inflationary pressures from supply chains being nearshored over the medium term. This underpins an interest rate regime that looks very different to the last decade - one where borrowing money has a cost associated to it. We continue to believe that this new paradigm favours our flexible, valuation-conscious investment style.

Portfolio review

US 'big tech' is back in vogue and we are seeing very narrow market leadership. However, some of the investor appetite for AI has trickled down to Europe. Here, beneficiaries included capital goods businesses that form the supply chain, such as semiconductor manufacturing equipment firms (ASML, ASM and BESI), along with Siemens and Schneider - both of which have large datacentre hardware/software businesses. Atlas Copco, which supplies vacuum pump technology and had reported weak first quarter orders, has also done well as investors considered that its share price had reached a trough. We also saw good returns from Adidas, Hugo Boss, Saint Gobain and CRH. The first two continued to be rewarded by the market for their brand turnaround strategies while the latter two were helped by improved sentiment toward construction material companies.

The biggest detractors were UPM-Kymmene and ABInbev. UPM-Kymmene's business has been hurt by lower pulp prices and elevated inventories, aggravating inventory destocking. We consider this to be temporary. AB InBev suffered a backlash to its US beer brand, Bud Light, from the conservative-leaning portion of its customer base in response to a single sponsored post from a social media influencer. This episode could reshape consumer marketing strategies across corporate America. For AB InBev specifically, the share price fall appears to more than price in a permanent impairment to the brand, which may or may not turn out to be the case. But, with AB InBev being a highly diversified, highly profitable global beer behemoth - for which Bud Light accounts for only 7-8% of group sales - we think this should prove to be a blip.

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We sold the position in BP and trimmed the rest of the fund's energy sector exposure due to poor price action following the announcement of another OPEC+ supply cut. We are waiting for confirmation of our medium-term thesis of stronger-for-longer oil prices before taking the allocation back up. The capital liberated from this decision was switched into what we saw as oversold, high-conviction ideas where we think valuations look attractive. We increased our position in Danone, as we see tangible evidence of the new CEO's strategy working, and closed the holding in Mercedes Benz. We also added DSV, which in our opinion is the best freight forwarding company in Europe, as there are early signs the sector is reaching a trough.

Source: Janus Henderson Investors, as at 30 June 2023

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Fund information (Investment policy is on the next page)

Index	MSCI Europe
Morningstar sector	Europe OE Europe Large-Cap Blend Equity
Objective	The Fund aims to provide a return, from a combination of capital growth and income over the long term (5 years or more).

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector
1 month	4.0	2.4	1.9
YTD	11.8	11.1	10.2
1 year	19.1	16.7	14.5
3 years (annualised)	12.0	11.8	9.6
5 years (annualised)	7.5	6.6	5.0
10 years (annualised)	8.3	7.7	6.5

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	11.8	11.1	10.2
2022	-9.3	-9.5	-13.1
2021	23.0	25.1	23.0
2020	2.2	-3.3	-0.9
2019	29.1	26.0	24.5
2018	-12.2	-10.6	-12.7
2017	7.2	10.2	10.1
2016	-0.6	2.6	-0.2
2015	12.5	8.7	11.1
2014	10.0	7.4	5.6
2013	26.6	20.5	19.8

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the 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.

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 http://www.janushenderson.com.

Source for target returns (where applicable) – Janus Henderson. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID, fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID which must be reviewed before investing. Please consult your local sales representative if you have any further queries.

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Past performance does not predict future returns. 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.

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What are the risks specific to this fund?

- When the Fund, or a share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency (hedge), the hedging strategy itself may positively or negatively impact the value of the Fund due to differences in short-term interest rates between the currencies.
- 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.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment policy

The Fund invests at least two-thirds of its assets in shares (equities) and equity-related securities of companies, of any size, in any industry, in Europe (including UK). Companies will have their registered office in or do most of their business (directly or through subsidiaries) in this region.

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 MSCI Europe Index, which is broadly representative of the companies in which it may invest, as this can provide a useful comparator for assessing the Fund's performance. The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. Depending on prevailing market conditions the Fund's portfolio may shift between 'high conviction' (whereby the manager will take significant risk relative to the index) and a more cautious stance. This means the performance of the Fund may at times differ significantly from the index, while at other times it may be more closely aligned.

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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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Important information

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

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