

HORIZON PAN EUROPEAN PROPERTY EQUITIES FUND

At a glance

Performance*

The Fund returned 6.56%, the Index returned 8.47% and the Sector returned 7.22%.

Contributors/detractors

Positions in Germany, Sweden and Spain added value while the fund's underweight position to the Swiss market detracted.

Outlook

Increasing confidence about peak interest rates could prove a key moment for the sector. Shares are trading at wide discounts to asset values, representing a potentially compelling opportunity.

Portfolio management



Guy Barnard, CFA



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Investment environment

- Equity markets finished a strong quarter with further gains in March, supported by robust economic data and expectations of interest rate cuts in the coming months.
- European listed property stocks significantly outperformed wider markets, boosted by still dovish commentary from European central banks. We saw the strongest returns from Sweden, Spain and Germany, while Swiss names lagged.
- Within the sector, the end of results season continued to highlight contrasts across different subsectors. We saw strong results from industrial/logistics landlord CTP, whose net asset value was up 15% in 2023, alongside earnings and dividend growth of 19% and 17% respectively.
- We also saw strength from UK student accommodation landlords, where bookings for the next academic year continue to show strong demand in this undersupplied sector, with rents continuing to grow.
- Conversely, office landlords continued to see valuation declines, even as the best space in London and Paris saw headline rents grow. In Germany, residential landlord LEG reinstated its dividend in a sign that

balance sheet pressures are receding and underlying fundamentals remain robust.

Portfolio review

Positive contributors included LEG in Germany, Hammerson in the UK, Catena in Sweden and Merlin in Spain. An underweight position to the Swiss market, along with currency impact, was also beneficial.

Conversely, cell tower company Cellnex lagged despite an investor day that highlighted its intention to reward shareholders through dividends and buybacks in the future, and an earlier-than-expected upgrade to investment grade status by S&P.

We added a new position in Irish homebuilder Cairn Homes, which is exposed to the ongoing positive outlook for Irish housing, where supply remains well below demand and government measures are supportive. We exited the holding in French retail landlord Mercialis following strong performance and added a position in residential landlord TAG.

Having been focused on deleveraging in recent years, we see TAG as offering attractive exposure to the undersupplied German rental market alongside a growing development led strategy in Poland, where housing fundamentals have been strong.

Marketing communication

For qualified investors only.

Past performance does not predict future returns.

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*For benchmark and sector, 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.

Manager outlook

While parts of the real estate markets will continue to face headwinds from a slowing economy and more restrictive financial conditions, increasing confidence that we have reached peak rates in Europe is likely to prove a key moment for the listed property sector. While the direct property market will need more time to reflect higher rates in published asset values, in the listed market we can start to look forward. Typically, REITs have started to recover six to nine months before direct values stabilise, and we feel we are now in this phase.

European property shares continue to trade at wide discounts to realistic bottom-of-the-cycle asset values. While further balance sheet strengthening will be required in some cases, we expect this to be manageable for most. In a lower growth environment, the importance of management, asset and balance sheet quality matters more.

We continue to expect divergence across different property types, driven by the themes of changing demographics, digitisation, sustainability and the convenience lifestyle. It therefore remains important, in our view, to be selective.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
A2 EUR (Net)	6.56	-2.33	-2.33	22.32	-2.89	1.02	6.36	
Index	8.47	-2.83	-2.83	18.61	-5.21	-2.99	2.87	
Sector	7.22	-3.42	-3.42	15.97	-4.71	-2.35	3.40	

Calendar year	YTD at Q1										
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 EUR (Net)	-2.33	19.43	-37.37	27.38	-3.93	35.60	-5.62	19.77	-7.86	22.13	30.09
Index	-2.83	16.34	-36.57	18.49	-10.74	28.52	-8.40	12.55	-5.29	18.14	25.35
Sector	-3.41	15.19	-34.25	18.54	-9.60	28.51	-7.60	13.42	-4.37	18.95	23.62

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

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.

Performance fees may be charged before the Fund's outperformance target is reached. Performance fees are charged separately as a way of rewarding the investment manager for superior returns or for outperforming specified targets. A Performance Fee is accrued where the NAV outperforms the relevant Hurdle NAV (subject to a High Water Mark). For further explanation of the performance fee calculation methodology please see the relevant prospectus, available at www.janushenderson.com.

Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the FTSE EPRA Nareit Developed Europe Capped 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 1998
Total net assets	603.83m
Asset class	Property Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	EUR
Index	FTSE EPRA Nareit Developed Europe Capped Index
Morningstar sector	Property - Indirect Europe
SFDR category	Article 8

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.

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/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 and/or financial adviser if you have any queries. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). 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.

Investment policy

The Fund invests at least 75% of its assets in a concentrated portfolio of shares (equities) and equity-related securities of real estate investment trusts (REITs) and companies of any size, which invest in property, in the EEA or the UK if not part of the EEA. Securities will derive the main part of their revenue from owning, developing and managing real estate in Europe. 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 EPRA Nareit Developed Europe Capped Index, which is broadly representative of the securities in which it may invest, as this forms the basis of the Fund's performance target and the level above which performance fees may be charged (if applicable). The Investment Manager has discretion to choose investments for the Fund with weightings different to the index or not in the index, but at times the Fund may hold investments similar to the index.

Investment strategy

The Investment Manager seeks to identify European listed property companies and real estate investment trusts (REITs) that can deliver the highest total return over the long-term. The investment process follows a high conviction, 'bottom-up' (fundamental company-level) research approach aiming to identify the best risk-adjusted value from across the capitalisation spectrum.

Fund specific risks

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 is focused towards particular industries or investment themes and may be heavily impacted by factors such as changes in government regulation, increased price competition, technological advancements and other adverse events. This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund. The Fund invests in real estate investment trusts (REITs) and other companies or funds engaged in property investment, which involve risks above those associated with investing directly in property. In particular, REITs may be subject to less strict regulation than the Fund itself and may experience greater volatility than their underlying assets. 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. Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth.

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— INVESTORS —

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

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Horizon Pan European Property Equities Fund (as at 31/03/24)

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