

CONTINENTAL EUROPEAN FUND

At a glance

Performance*

The Fund returned 9.32%, the Index returned 7.67% and the Sector returned 7.96%.

Contributors/detractors

The fund performed well with technology and health care holdings leading. Semiconductor holding BESl reached a new share price high. Holdings in DSV and energy stocks underperformed.

Outlook

Bidenomics and deglobalisation could result in wage inflation and increased market friction. Europe presents us with attractive investment opportunities.

Portfolio management



John Bennett



Tom O'Hara



Tom Lemaigre, CFA

Investment environment

- The change in rhetoric from the US Federal Reserve (Fed) and cooling inflation in developed markets triggered expectations of earlier interest rate cuts in 2024, resulting in a rally across various asset classes.
- European equities rose over 3% in December, led by sectors such as travel & leisure, real estate and construction & materials.
- The US 10-year Treasury yield continued to decline from 4.3% to 3.9%.

Portfolio review

The fund had a good fourth quarter led by the information technology and health care sectors. In particular, semiconductor stocks saw their shares bounce back bounce back as part of the wider rally in technology stocks following the prior weakness in September and early October. Shares in BESl - a key holding in our 'capex supercycle' investment thesis, given that they are the 'picks and shovels' of the semiconductor supply chain - reached a new high. A broad basket of 'capex supercycle' enablers across other sectors were also positive contributors, including Holcim, Saint Gobain and CRH in construction materials, and Siemens and Schneider Electric in industrials.

DSV was a main detractor as the CEO's abrupt departure weighed on the share price. Energy companies also lagged the market recovery, partially as they have come to be regarded as 'defensives' over the last couple of years, and partially due to increasing commentary around potential oversupply in 2024, which may require further OPEC cuts. At the time of writing, the stocks remain attractively valued in our view, and we believe the high cash returns (buybacks and dividends) should be safe even at much lower oil prices.

In terms of activity, we added to the positions in Siemens and Infineon. We trimmed the position in Adidas to take some profits following strong performance. We also

Marketing communication

For qualified investors only.

Past performance does not predict future returns.

*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.

trimmed the position in Euronext. We sold the position in Hugo Boss as we felt the brand turnaround story was now well understood. And we sold the position in DSV due to concerns over the sudden departure of its well-liked CEO, as well as the financial implications of a joint venture the company signed in Saudi Arabia on the NEOM project.

Manager outlook

We continue to believe in the likelihood of structurally higher inflation and higher interest rates in the years ahead, at least relative to the decade prior to the Covid pandemic. This is not to argue against the potential for near-term disinflation of a more cyclical nature, as supply shocks from both Covid and the Ukraine war are lapsed.

That said, even given the shifting rhetoric from central banks, we continue to lean much more towards a central bank 'plateau' rather than a 'pivot' on interest rates. This is, unless we witness a sharp economic contraction. However, given the fiscal bazooka being deployed under 'Bidenomics' and the need for Europe to follow suit, we may not see the economic 'hard landing' the market intermittently panics over, even if consumers do moderate their appetite to spend.

Longer term, we expect a clear shift towards a multipolar world, of which deglobalisation - and the capital intensive likes of 'Bidenomics' - is an outcome. We could also see a political shift in favour of populist/pro-labour policies, from both traditional 'left' and 'right' ends of the political spectrum. This could mean stronger wage inflation and greater labour market friction. It also leads us to believe equity investors will need to be more sensitive to valuation when making stock purchasing decisions.

The real economy implications will also present opportunities for stock-pickers. Enablers of deglobalisation (think industrial automation, digitalisation, electrification and construction materials firms) could thrive, while large incumbents across many industries (such as brewing, food catering and enterprise software) could see their already dominant positions enhanced as the end of virtually 'free' money tempers the threat of disruption by unprofitable start-ups. Europe offers plentiful opportunities to access these themes, being home to large global champions at what we see as reasonable valuations.

Performance (%)

| Returns | Cumulative | | | | Annualised | | | |
|--------------|------------|------------|-------|-----------|------------|-----------|------------|--|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | |
| A2 EUR (Net) | 3.44 | 9.32 | 21.28 | 21.28 | 9.87 | 12.08 | 7.64 | |
| Index | 3.85 | 7.67 | 17.57 | 17.57 | 8.56 | 10.59 | 7.23 | |
| Sector | 4.24 | 7.96 | 16.26 | 16.26 | 7.32 | 10.32 | 7.10 | |

| Calendar year | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------|-------|--------|-------|------|-------|--------|-------|-------|-------|------|
| A2 EUR (Net) | 21.28 | -11.78 | 23.93 | 3.58 | 28.73 | -10.99 | 7.45 | -1.12 | 13.94 | 9.60 |
| Index | 17.57 | -12.58 | 24.44 | 1.75 | 27.10 | -10.86 | 11.40 | 2.42 | 11.42 | 7.22 |
| Sector | 16.26 | -13.62 | 23.04 | 3.63 | 27.60 | -12.88 | 12.63 | 0.68 | 15.45 | 6.57 |

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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.

Investment objective

The Fund aims to provide a return, from a combination of capital growth and income over the long term (5 years or more).

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 | 29 September 2000 |
| Total net assets | 2.56bn |
| Asset class | Equities |
| Domicile | Luxembourg |
| Structure | SICAV |
| Base currency | EUR |
| Index | MSCI Europe (ex UK) Index |
| Morningstar sector | Europe ex-UK Equity |
| 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. 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 and/or financial adviser if you have any queries. From 28 February 2022 Tom Lemaigre also manages this 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. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

Investment policy

The Fund invests at least two-thirds of its assets in a concentrated portfolio of shares (equities) and equity-related securities of companies, of any size, in any industry, in Continental Europe. 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 (ex UK) 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.

Investment strategy

The investment manager looks to anticipate catalysts for change in companies and industries based on fundamental research and thought leadership, in order to construct a portfolio of large companies complemented by mid-size company opportunities with the potential to enhance the Fund's overall returns. Smaller companies are not normally a significant focus of the portfolio.

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. 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 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.

Janus Henderson
— INVESTORS —

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

Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.

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