

HORIZON PAN EUROPEAN ABSOLUTE RETURN FUND

At a glance

Performance*

The Fund returned 4.18%, the Index returned 0.34%

Contributors/detractors

Positive contributors in March included long positions in Rheinmetall, DS Smith, UniCredit, Rolls Royce and TotalEnergies.

Outlook

We believe there is now a heightened risk of a shift in longer-term flows - and thus market direction.

Portfolio management



Robert Schramm-Fuchs



John Bennett

Investment environment

- The fund enjoyed another strong month in March. It has also started April well, despite the small correction that equity markets were undergoing at the time of writing.
- Whether the latest US consumer price index (CPI) data widens the small dip into a larger consolidation remains to be seen. We believe the odds for further equity market weakness have increased, and that stock markets are now more vulnerable than at any time over the last few months.
- Macroeconomic data has served to push out expectations for the interest rate-cutting cycle to begin. Cross-asset volatility has shown small increases, such as in government bonds, currencies and commodities.
- Trigger points for highly-leveraged systematic funds have come into closer view. If equity market volatility persists beyond the last few days (at the time of writing), it could signal the start of a shift in larger money flows.

Portfolio review

Given the potential for a period of less stability in equity markets, we reduced the fund's gross and net exposure. We had been running an average gross exposure of 171% year-to-date, but have now reduced this to around 125%. We reduced the number of stocks on both the long and

short book by closing some lower-conviction positions, and now hold 30 stock-specific long positions and 20 stock-specific short positions.

The fund's hedging overlay remains in place, while the net exposure is now at the higher end of 20%. This could quickly decrease further should markets fall, as the strike price of our long put is coming closer.

Positive contributors included long positions in Rheinmetall, DS Smith, UniCredit, Rolls Royce and TotalEnergies.

Rheinmetall's order inflow remained extremely strong as evidenced by almost daily news about various NATO (and other) countries rearming, restocking and generally trying to improve combat-readiness of their vehicle fleets. In many cases, the need to invest in equipment is both significant and long-term in nature, after decades of neglected defence spending given the 'peace dividend'.

DS Smith finds itself in a competitive takeover situation, where two strategic suitors have launched initial bids and have received more time to improve their offers. We think the strategic rationale and synergy potential is very good for both companies, and even with a likely high 'paper' element in the final bids, there is still potential in our view.

We expect yet another set of convincing quarterly results from UniCredit.

In our view, consensus expectations still seem too low and in our view the share price (and the sector more generally) remains very attractively priced in light of the historical sustainable level of profitability and capital generation.

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.

Meanwhile, any cuts in interest rates could prove beneficial to the firm.

We exited the position in Rolls Royce after its share price rallied. While we did not consider the valuation at the time of writing to be 'expensive', and while our management meetings gave us continued confidence in the mid-term investment thesis, we believed the share price at the time of sale was more up with events.

TotalEnergies remains one of the fund's largest long positions. After a prolonged sideways phase the share price seems to have broken out, following the underlying commodity. We think it remains attractively priced compared to its US peers, offering a good cushion should commodity prices fall.

In the short book, the big notable positive contributor was a prominent UK staples company that manufactures a wide range of household, toiletry, health and food products. We have now taken profit on this position. The stock first flagged up to us in 2023 due to the accounting and governance red flags.

Our team met its management several times and came away concerned about negative earnings momentum, strategic issues and management disruption. When some of the smaller accounting issues came to light with its full-year results, the share price began to fall. This was followed by a much bigger potential food safety issue. The reason for closing the position was that we believe the share price is now reflecting a fairly bad outcome already.

Among the detractors was BESI, which saw its share price hit following media reports that the industry standard setting body JEDEC is planning to relax high bandwidth memory packaging thickness requirements for the upcoming HBM4 technology. This could lead to a delay in the adoption of hybrid bonding technology for

semiconductor memory production, where BESI is the clear market leader. We exited our long position.

Our conviction remains unchanged in that, ultimately, hybrid bonding will see widespread adoption. However, until the final decision by JEDEC is made in June, it will remain an overhang on the stock. It could still go either way as thickness is only one of several considerations to be taken into account, and hybrid bonding has clear advantages on other metrics such as electrical performance and heat dissipation.

Finally, we had attempted a tactical long position in Kuehne & Nagel coming into its earnings announcement. This proved ill-fated as the company's earnings and mid-term guidance was disappointing, and we immediately unwound the position.

Manager outlook

Our highest conviction at the moment remains in long positions in European banks, energy and semiconductors. Our biggest short positions are predominantly idiosyncratic, without a bigger underlying theme.

In addition to the 20 single-stock short positions, we also have two more short positions expressed via put options. The largest short positions are in short-cycle electrical industrials, spirits, technology hardware and medical technology.

We have plenty of additional ideas at the ready, but we want to wait for market price action over the coming few days before implementing - true to our motto of 'ear to the ground' and seeking confirmatory price action when deploying capital. We believe there is now a heightened risk of a shift in longer-term flows - and thus market direction.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
A2 EUR (Net)	4.18	6.49	6.49	10.16	2.98	5.19	2.61	
Index	0.34	0.99	0.99	3.75	1.32	0.79	0.47	
Target	—	—	—	—	2.03	1.21	0.68	

Calendar year	YTD at Q1											
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	
A2 EUR (Net)	6.49	4.71	-4.55	6.88	5.24	9.95	-6.18	3.67	-2.66	2.05	6.42	
Index	0.99	3.30	-0.01	-0.29	0.00	0.00	0.00	0.00	0.01	0.05	1.80	

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.

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 a positive (absolute) return, regardless of market conditions, over any 12 month period. A positive return is not guaranteed over this or any other time period and, particularly over the shorter term, the Fund may experience periods of negative returns. Consequently, your capital is at risk. Performance target: To outperform the Euro Short Term Rate (€STR) by at least 1% per annum, after the deduction of charges, over any 3 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 December 2006
Total net assets	217.76m
Asset class	Alternatives
Domicile	Luxembourg
Structure	SICAV
Base currency	EUR
Index	Euro Short Term Rate
Morningstar sector	Long/Short Equity - 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. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. 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 1 July 2021, the benchmark changed from the Euro Main Refinancing Rate to the Euro Short Term Rate (€STR). The Fund's investment policy and performance target changed. Past performance shown before 1 July 2021 was achieved under circumstances that no longer apply. From 25 February 2022, the Fund changed its performance target. Past performance shown before 25 February 2022 was achieved under circumstances that no longer apply. 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 in shares and makes extensive use of derivatives (complex financial instruments) to take both 'long' and 'short' positions in companies the Investment Manager believes will either rise in value (long positions) or fall in value (short positions) meaning that the Fund may benefit from either scenario. The Fund will hold a significant proportion of its assets in cash and money market instruments as a result of holding derivatives and for when the Investment Manager wishes to take a defensive stance. Conversely, the Fund may also employ 'leverage' (so that the Fund can invest a greater amount than its actual value) when the Investment Manager has greater confidence in the opportunities available. Typically, at least two-thirds of the exposure to the long and short positions (in aggregate) will be to companies of any size, in any industry, in Europe (including UK). Companies may be located or do most of their business in this region. The balance of the long and short exposure may be to companies outside this region. The Fund may invest in other assets including bonds (including convertible bonds) and preference shares. The Investment Manager may also use derivatives to reduce risk or to manage the Fund more efficiently. The Fund is actively managed and makes reference to the Euro Short Term Rate (€STR) as this forms the basis of the Fund's performance target and the calculation of performance fees (if applicable). For currency hedged Share Classes, the rate that corresponds with the relevant Share Class currency is used as the basis of the performance comparison and for calculating performance fees. The Investment Manager has complete discretion to choose investments for the Fund and is not constrained by a benchmark.

Investment strategy

The Investment Manager targets long-term capital appreciation through exposure primarily to European equities. The manager selects stocks using a fundamental approach, blended with sector themes. The process results in a high-conviction portfolio with a bias towards long positions (where the manager believes the prospects for the companies are positive), complemented by 'short positions' (where prospects are less positive) and other market hedging securities.

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. 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 to help achieve its investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses to the Fund may therefore be greater than the cost of the derivative. Derivatives also introduce 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. The Fund involves a high level of buying and selling activity and as such will incur a higher level of transaction costs than a fund that trades less frequently. These transaction costs are in addition to the Fund's ongoing charges.

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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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