

Janus Henderson Horizon European Growth Fund

Q2 2023

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

Fund Managers Names

Marc Schartz, CFA

Investment environment

European equity markets rose 2% over the second quarter. Economic uncertainties persisted with increasing concerns about a slowdown in economic growth or recession contradicted by optimistic macroeconomic data and positive commentary from company management teams.

In this context, equity markets struggled for direction. The quarter was characterised by several themes. This included a broad destocking trend as companies that built up a safety net of stock to mitigate supply-chain constraints have started to reduce their inventories. The quarter also placed a sudden spotlight onto generative artificial intelligence (AI), leading to a large spread in performance between perceived winners and losers from AI.

The US Federal Reserve (Fed) also skipped an interest rate hike at its June meeting for the first time since its monetary tightening policy began last year. In terms of intra-market moves, the most noteworthy development related to the continued outperformance of large cap stocks over mid-cap stocks. Over the last 18 months, large caps have led mid-caps by 16% with the latest quarter adding 3.5% to that tally. This relative underperformance of mid-cap companies represents the most important relative fall for a decade.

Portfolio review

The fund underperformed its benchmark over the second quarter.

Besides the unhelpful backdrop outlined above, with mid-cap stocks underperforming large caps, the main performance detractors on a stock specific basis were Nordic Semiconductor, Merck and Azelis.

After a weak update earlier this year, Nordic Semiconductor published another disappointing set of numbers and outlook with its first quarter results in April. While 2022 was plagued by supply constraints (wafers from TSMC were on allocation), the problem has now moved on to the demand side. What is important here is that there are no indications of customer/project losses, waning market share or technology disruption. The demand issues here relate foremost to excess inventory in the value chain, as well as softening consumer end demand. We think Nordic Semiconductor remains well positioned in the connectivity/Internet of Things (IoT) space, while it is a leader in Bluetooth low energy (BLE). To us, its current issues appear transitory in nature. Merck (the German lifesciences/pharmaceutical company) and Azelis (the Belgian specialty chemicals distributor) have faced no company specific negative news. However, both suffered from adverse general events in their respective sectors, with peers/clients warning about destocking and softening end demand.

On the other side, ASR Nederland, a Dutch insurance company, was the main positive contributor. Its shares reversed some of the (arguably unjustified) negative performance incurred in the previous month in the aftermath of the volatile events hitting the global financial markets (such as the failure of Credit Suisse and a number of US regional banks). The company has also been nearing the completion of its merger with Aegon Netherlands (completed in early July) which we think should give a new impetus to this story. Alcon, a major player in the eye care industry, also provided a marked positive contribution after it reported results that beat market expectations. A similarly positive contribution came from SPIE. The company continues to surprise positively as its transformation from a steady but boring French electrical maintenance/installation company into a key enabler of electrification has been unfolding.

We initiated five new positions during the quarter:

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(i) Smurfit Kappa is Europe's leading cardboard box maker. It has been suffering from customer de-stocking activity, but we think it could benefit longer term from structural trends towards more sustainable packaging. (ii) Marel is a leading food processing machinery provider with a high proportional share of stable after-market revenues. Delays in passing on input cost inflation and volatility in the order intake led to a sharp fall in its share price, which we deemed excessive given the solid underlying drivers. (iii) Munters is a Swedish engineering firm providing climate-control technologies to various industrial set-ups. It is exposed to various strong growth drivers as its products are essential in battery plants as well as data centres. (iv) Zealand is a Danish biotech company which stands a good chance of participating in the fast-growing obesity drug market. (v) Siemens' various businesses seem to us to be well positioned to benefit from powerful structural trends such as industrial automation, electrification, near-shoring and rail mobility.

On the other hand, we sold positions in solar module manufacturer Meyer Burger and building materials company CRH, locking in material gains in both since their introduction to the portfolio last year. We also sold Grafton and Worldline to fund these new positions. Elsewhere, we switched the holding in aerospace engine manufacturer MTU for a position in its peer Safran, reflecting concerns over the in-service performance of MTU's main new engine programme.

Manager outlook

The economic outlook remains uncertain. As we have mentioned in prior months, pronounced de-stocking activities in many industries and the related share price volatility are offering good opportunities to initiate or increase the fund's positions in structurally well-positioned companies. While we are not able to exactly time the end of temporary demand disruption, de-stocking phases should not alter the long-term value opportunities of those businesses in our view. While the pronounced, and occasionally indiscriminate, underperformance of mid-caps has resulted in more challenging conditions for our approach, we remain confident that the solid fundamentals of medium-sized companies in general - and especially those we invest in - will eventually shine through. Consistent with our core investment 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.

Source: Janus Henderson Investors, as at 30 June 2023

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Fund information (Investment policy is on the next page)

Index	FTSE World Europe (Ex UK) Index
Morningstar sector	Europe OE Europe ex-UK Large-Cap Equity
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.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector
1 month	1.3	2.6	1.3
YTD	7.9	13.0	11.1
1 year	15.2	20.0	18.2
3 years (annualised)	10.0	11.9	10.2
5 years (annualised)	5.2	8.1	6.5
10 years (annualised)	7.8	9.0	8.3

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	7.9	13.0	11.1
2022	-8.3	-12.0	-13.6
2021	21.9	25.2	23.0
2020	1.0	2.8	3.6
2019	23.4	27.6	27.6
2018	-16.0	-10.5	-12.9
2017	16.0	13.0	12.6
2016	0.9	3.3	0.7
2015	17.2	10.9	15.5
2014	9.7	7.4	6.6
2013	20.2	22.0	24.0

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.

From 1 November 2022 Simon Rowe no longer manages this fund.

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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.

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 <http://www.janushenderson.com>.

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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 80% of its assets in shares (equities) and equity-related securities of companies, in any industry, in Europe (excluding UK). Companies will be located, listed or do most of their business in this region. The Fund will normally have a strong bias towards medium sized companies. The Fund may also invest in other assets including companies outside this region, 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 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.

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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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