

HORIZON PAN EUROPEAN MID AND LARGE CAP FUND

At a glance

Performance*

The Fund returned 4.98%, the Index returned 7.07% and the Sector returned 7.96%.

Contributors/detractors

The unexpected settlement of long-standing mis-selling related legal issues made ASR the main performance contributor. Puma was the main performance detractor.

Outlook

While the underperformance of medium-sized companies has created challenging conditions for our approach, we remain confident that the solid fundamentals will eventually shine through.

Portfolio management



Marc Scharz, CFA

Investment environment

- Equity markets staged a significant rally in the last quarter of 2023. After a weak October, the upbeat mood in November and December mainly reflected that the ever-growing evidence on slowing inflation started to translate into more dovish tones by central banks. This narrative culminated with the US Federal Reserve (Fed)'s communication at its December meeting, which the market interpreted as a signal that the 'pivot' in monetary policy (from interest rate rises to interest rate cuts) is around the corner.
- Against this backdrop, US and European bond yields fell markedly (prices rose, reflecting their inverse correlation) as the US 10-year Treasury yield fell from its 4.9% peak in October to 3.9% by the end of December. Elsewhere, the German 10-year bond yield fell from 2.8% to 2%, while long-duration sectors (those typically more sensitive to moves in interest rates) like technology and real estate, led the market higher.
- While mid-cap stocks underperformed large-caps by around 3.5% over the quarter (and underperformed by 12% over the whole of 2023), the roll-over of yields has also stabilised the relative performance of mid-caps since early November.

Portfolio review

The other main positive contributor was Dutch insurance company ASR, which rather unexpectedly managed to settle the legal situation that earlier this year led to an abrupt sell off in its shares. With the legal woes now largely behind the company, the focus is shifting back to what we see as its attractive fundamentals - especially the highly value-creative integration with Aegon Netherlands. Other positive contributions came from BESI (semiconductor manufacturing equipment) and Reply (IT services), reflecting the positive momentum engulfing the technology sector. Munters also performed strongly on the back of large order announcements for its data centre cooling equipment.

Conversely, German sporting goods company Puma was the main performance detractor as cautious messaging by its US peer Nike spooked the market. Other weak performers included Argenx and Merck, which both suffered set-backs in their new drugs pipeline.

We initiated positions in Anheuser Busch, Trigano, Jungheinrich and Qiagen. Anheuser Busch allows us to increase exposure to our favourite staples category, beer. Unlike many other categories, beer does not suffer from white label competition, has diversified routes to market (off and on-trade) and is not facing destocking across its value chain (limited shelf life). The company is in the midst of a turnaround based on deleveraging and refocusing on organic brand development rather than serial acquisitions.

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.

Trigano is the European leader in the motorhome industry. While demand has been strong for a while, supply-chain disruptions have hampered progress. Those now seem behind us, and while the economic slowdown puts some question marks behind demand for large ticket discretionary items, favourable demographics are likely to support the motorhome market. While Qiagen offers exposure to the structurally growing diagnostics market, the share price had been suffering from a Covid hangover in 2023. We see earnings now sufficiently rebased, allowing for underlying fundamentals to shine through. The position in forklift company Jungheinrich helps to increase our short-cycle industrial exposure via a best-in-class player. In order to fund these new positions, we locked in profits in various holdings including Essilor, Givaudan, Mercedes and Daimler Trucks.

Furthermore, we made some trades to rebalance the fund in light of its change of universe from Continental to Pan European. In this context, we bought (among others) positions in Informa, Compass and Reckitt Benckiser. During December, the holdings in the Janus Henderson Pan European Equity Fund were liquidated and the fund's assets were merged into this fund.

Manager outlook

We seem likely to be in the final phase of the rate hiking cycle, which has been the main driver of the currently unfolding economic slowdown. While the debate around a

'hard' versus a 'soft landing' is difficult to call at this stage, rates have (or are close to) peaking, which should help establish the conditions for economic uncertainty to gradually dissipate in the coming quarters.

We believe that the monetary tightening cycle and the uncertainties it brings were the main driver for the significant and occasionally indiscriminate underperformance of mid-caps that has resulted in a material relative de-rating of the latter. The end of monetary policy tightening should allow the solid fundamentals of medium-sized companies in general - and especially those we invest in - to shine through again. We think this will create more benign conditions for our approach.

The pronounced de-stocking activities that have undermined the underlying economics in many industries over the last 12 months should be approaching their conclusion and offer some comparative tailwinds in 2024. We have used share price volatility around those temporary destocking-related demand disruptions to build various positions in structurally well positioned companies. Consistent with our core 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.

Performance (%)

| Returns | Cumulative | | | | Annualised | | | |
|--------------|------------|------------|-------|-----------|------------|-----------|------------|--|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | |
| A2 EUR (Net) | 3.38 | 4.98 | 11.37 | 11.37 | 7.57 | 9.18 | 6.98 | |
| Index | 3.71 | 7.07 | 17.78 | 17.78 | 9.08 | 11.23 | 7.81 | |
| 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) | 11.37 | -8.34 | 21.94 | 1.00 | 23.38 | -15.96 | 16.04 | 0.91 | 17.19 | 9.70 |
| Index | 17.78 | -11.97 | 25.16 | 2.83 | 27.59 | -10.45 | 13.01 | 3.35 | 10.92 | 7.38 |
| Sector | 16.26 | -13.62 | 23.04 | 3.63 | 27.60 | -12.88 | 12.63 | 0.68 | 15.45 | 6.57 |

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. © 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.

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 MSCI Europe NR 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 | 16 August 2002 |
| Total net assets | 249.90m |
| Asset class | Equities |
| Domicile | Luxembourg |
| Structure | SICAV |
| Base currency | EUR |
| Index | MSCI Europe NR 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. On 07 December 2023, the Janus Henderson Horizon Pan European Equity Fund merged into the Janus Henderson Horizon Pan European Mid and Large Cap Fund. On 10 November 2023, the fund name changed from Janus Henderson Horizon European Growth Fund to Janus Henderson Horizon Pan European Mid and Large Cap Fund. The benchmark changed from FTSE World Europe ex UK to MSCI Europe NR. The Fund's investment policy also changed. Past performance shown before this date was achieved under circumstances that no longer apply. 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 80% of its assets in shares (equities) and equity-related securities of companies, in any industry, in Europe (including UK). Companies will be located, listed or do most of their business in this region. The Fund may invest in companies of any size but 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 MSCI Europe NR 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.

Investment strategy

The Investment Manager seeks to identify companies with hidden quality by focusing on company profitability and the efficiency with which capital is used. The Fund may invest in companies of any size but will have a strong bias to medium sized companies as these often have attractive niches, potential to grow, or could be potential takeover targets in the future. The Investment Manager takes a long term view, looking beyond short term data, while the risk management process focuses on identifying risks specific to the companies and industries in which the Fund may be exposed rather than in relation to the wider market.

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 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.

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INVESTORS

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

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Horizon Pan European Mid and Large Cap Fund (as at 31/12/23)

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