

CONTINENTAL EUROPEAN FUND

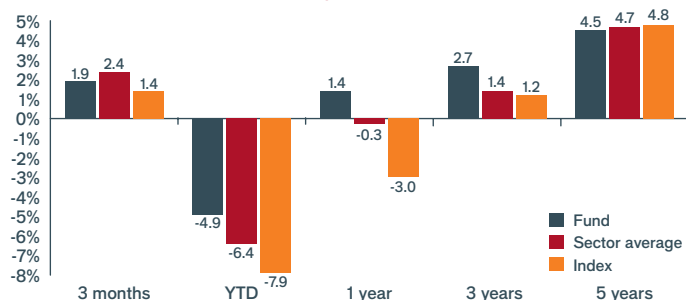
Quarterly review

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A large cap core European (ex UK) strategy designed to:

- **Deliver long-term growth:** uses a blend of large and mega cap holdings (to capture sector themes) and under-researched mid-cap stocks (tactical opportunities).
- **Deviate from the benchmark weightings:** unconstrained investment process with no benchmark limitations and the flexibility to seek out alpha across Europe*.
- **Correctly anticipate change:** competitive advantage comes from early insight into macroeconomic and industry trends.

Performance summary (Q3 2020)



Source: Janus Henderson, Morningstar, as at 30 September 2020. Basis: Bid pricing, gross income reinvested, I€ share class, net of fees, cumulative return annualised after one year, in euro terms. Index: MSCI Europe (ex UK) NR. Sector: GIF OS Europe Large Cap Blend.

Key fund characteristics

Sector	Europe OE Europe ex-UK Large-Cap Equity
Index	MSCI Europe ex UK Equity
Launch date	29 September 2000
Fund size	€1.68bn
Number of stocks [^]	40-50
Fund management	John Bennett and Tom O'Hara ^{**}

Source: Janus Henderson Investors, at 30 September 2020.

Fund return (Q3 20)	1.9
Sector average (Q3 20)	2.4
Index (Q3 20)	1.4

Source: Janus Henderson Investors, at 30 September 2020.

* The fund must invest at least two-thirds of its assets in companies listed in Continental Europe, or with a significant proportion of their operations in the region.

[^] Illustrative figure, subject to change.

^{**} Please note that as of 31 January 2020 Tom O'Hara became co-manager of this fund.

Performance %

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	Fund	9.52	5.05	4.10	-1.57	2.87	-4.07	4.47	-7.99	-2.80	5.93	3.37	-3.70	14.63
	Sector	8.06	6.43	4.08	-1.48	3.09	-3.99	3.07	-7.10	-3.24	7.06	3.54	-3.69	15.45
	Index	7.76	6.93	3.33	-0.90	1.37	-4.36	4.64	-8.27	-4.38	8.23	2.88	-4.70	11.42
2016	Fund	-6.61	-2.94	0.51	1.00	2.71	-2.94	2.66	0.49	-0.48	-1.35	1.11	5.86	-0.56
	Sector	-7.32	-1.71	1.95	1.45	2.43	-6.00	4.54	1.07	-1.12	0.63	0.18	5.36	0.68
	Index	-6.47	-2.60	1.93	1.49	2.23	-4.63	4.13	0.76	-0.10	-0.02	0.05	6.31	2.42
2017	Fund	0.08	1.24	4.10	2.63	1.43	-1.71	-0.97	-0.77	3.48	0.99	-2.11	-0.42	8.03
	Sector	0.80	1.20	3.93	3.37	1.91	-1.85	-0.14	-0.95	3.73	2.12	-1.59	-0.36	12.63
	Index	-0.06	2.59	4.29	2.25	1.62	-2.16	-0.22	-0.46	3.88	1.90	-2.04	-0.48	11.40
2018	Fund	2.86	-3.45	-2.19	2.82	0.90	-0.66	3.43	-1.01	0.05	-6.35	-0.59	-6.26	-10.51
	Sector	2.71	-3.72	-2.28	3.80	0.33	-1.17	2.97	-1.04	-0.81	-6.56	-0.99	-6.32	-12.88
	Index	2.49	-3.67	-2.34	3.82	-0.88	-0.57	4.08	-1.71	0.00	-5.66	-0.58	-5.84	-10.86
2019	Fund	5.65	4.25	1.84	3.60	-4.05	5.09	1.40	-0.46	2.64	2.00	2.20	2.29	29.43
	Sector	6.36	3.74	1.23	4.84	-5.09	5.11	0.43	-1.25	3.48	1.11	3.25	1.95	27.60
	Index	6.00	4.14	1.86	4.27	-4.75	5.05	0.25	-0.65	3.26	0.99	2.62	1.64	27.10
2020	Fund	-1.88	-7.51	-11.33	7.88	3.69	3.67	-1.13	3.32	-0.21				-4.88
	Sector	-0.82	-8.04	-14.25	8.73	4.11	3.27	0.38	3.25	-1.22				-6.88
	Index	-0.80	-7.54	-13.85	6.37	4.06	3.85	-0.69	3.10	-0.94				-7.88

Source: Janus Henderson, Morningstar, as at 30 September 2020. Basis: Bid pricing, gross income reinvested, I€ share class, net of fees, individual monthly returns and annual/year-to-date returns, in euro terms. Index: MSCI Europe (ex UK) NR.

Past performance is not a guide to future performance. 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 analysis over the quarter

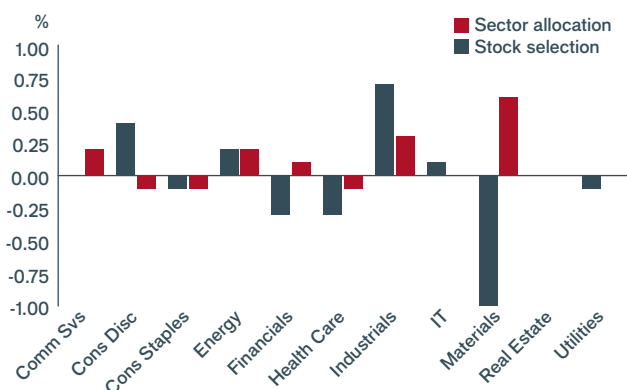
Stock level analysis (relative to the index)

Key contributors	Country	Total effect (%)	Drivers
KION	Germany	0.7	Benefited from notable strong order intake in its automation services business
Nokian Renkaat	Finland	0.4	Continued to climb after reporting smaller than expected losses in Q2
Volvo	Sweden	0.3	Bounced back after a period of COVID-19 related underperformance
DSV Panalpina	Denmark	0.3	Increasing need for global transport and logistic services
Kone	Finland	0.3	Performed well as the recovery in China gained pace

Key detractors	Country	Total effect (%)	Drivers
KBC Group	Belgium	-0.2	The bank was fined €18.3 million for its role in a mortgage tracker controversy in Ireland
Grifols	Spain	-0.2	Continued to perform poorly into the third quarter
Siemens	Germany	-0.2	Not holding Siemens detracted relative to the benchmark
Vestas Wind Systems	Denmark	-0.2	Not holding Vestas Wind Systems detracted relative to the benchmark
Bayer	Germany	-0.2	Share price continued to fall after announcing a deal to pay \$11 billion to settle a lawsuit on weedkiller in June

Source: Factset/Janus Henderson Investors, at 30 September 2020.

Sector contributions relative to the index



Source: Janus Henderson, Morningstar, as at 30 September 2020.

Drivers

Asset allocation was the main driver of performance over the period. In particular, the fund's overweight to Materials and Industrials proved beneficial. The fund's underweight to Communication Services and Energy also added to performance.

The fund gained from good stock selection in Industrials and Consumer Discretionary, while poor stock selection in Materials detracted from performance.

Portfolio activity through the quarter

Key buys	% of fund	Drivers
Saint Gobain	3.0	Offers good exposure to building refurbishment driven by energy efficiency policies.
Daimler	2.2	Increased exposure to the auto sector to move to a more cyclically-sensitive portfolio and complement long-standing holdings in components companies Autoliv and Nokian Renkaat
Peugeot	1.9	

Key sales	% of fund	Drivers
Bayer	-	Poor governance which is failing to improve.
Banco Santander	-	Stubbornly flat yield curves caused us to look elsewhere for our cyclical exposure.
UniCredit	-	

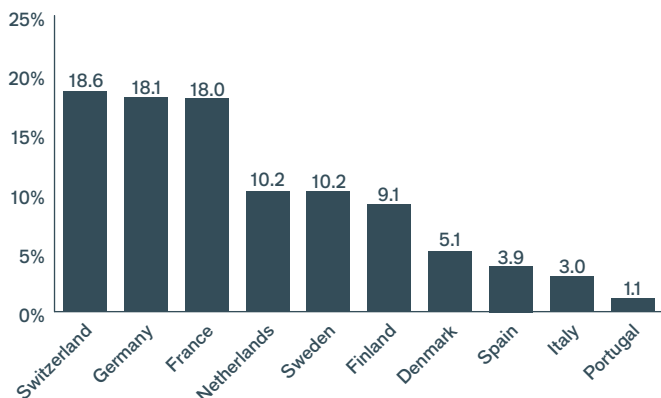
Source: Factset/Janus Henderson, as at 30 September 2020.

Portfolio analysis

Market cap distribution (%)	Fund	Index
>€50bn	32.9	34.5
€20bn-50bn	20.8	27.9
€10bn-20bn	28.7	17.8
€5bn-10bn	10.5	14.3
<€5bn	6.5	5.6
Cash	0.7	0.0

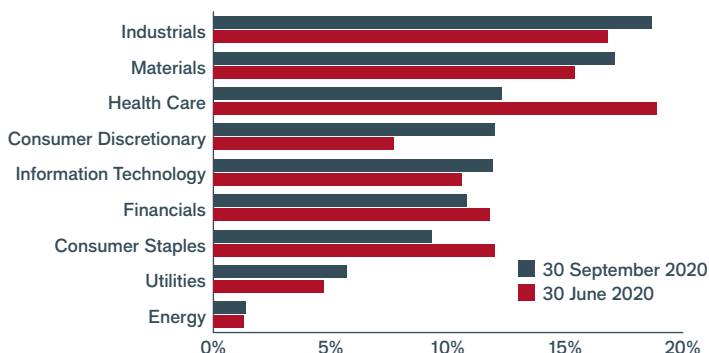
Janus Henderson/Factset, at 30 September 2020. Index: MSCI Europe ex UK.

Country allocation: Top 10



Source: Factset/Janus Henderson, as at 30 September 2020. The fund must invest at least two-thirds of its assets in companies listed in Continental Europe, or with a significant proportion of their operations in the region.

Change in positioning: sector allocation top 10



Source: Factset/Janus Henderson, as at 30 September 2020.

Portfolio metrics

Risk analysis	Fund	MSCI Europe ex UK Index
Value		
Historic Price/Book	2.0x	1.9x
EV/EBIT (historic)	15.6x	18.5x
Growth		
1 year forecast earnings growth	19.0%	20.0%
1 year forecast sales growth	3.8%	4.4%
Quality		
Historic return on equity	16.4%	16.9%
Dividend cover	2.2x	2.3x
Net Debt/EBITDA	1.0x	1.4x

Source: Janus Henderson, as at 30 September 2020.

Note: Historic PB is based on current (as at report date) price and last fully reported book value sourced from FactSet. Historic return on equity is based on the last fully reported Net Income and Total Common Shareholders' Equity, sourced from FactSet. Tracking error and beta are reported ex-ante based on a portfolio snapshot at month end.

Risk analysis	
Alpha	1.1%
Beta	0.9%
Information Ratio	0.3%
R Squared	98.3%
Sharpe Ratio	0.2%
Tracking Error	2.8%
Volatility	14.0%

Source: Janus Henderson/Morningstar, ex-post, three years to 30 September 2020 based on monthly returns. For definitions please refer to glossary details on the back page.

Top 5 stocks by weighting

Name	% of fund	% active weight	Sector
LafargeHolcim	7.1	6.7	Materials
Nestlé	5.3	0.0	Consumer Staples
UPM-Kymmene	4.8	4.6	Materials
ASML	3.6	1.3	Information Technology
SAP	3.4	1.0	Information Technology

Source: Factset, Janus Henderson as at 30 September 2020. Active weight indicates exposure relative to the MSCI Europe ex UK index.

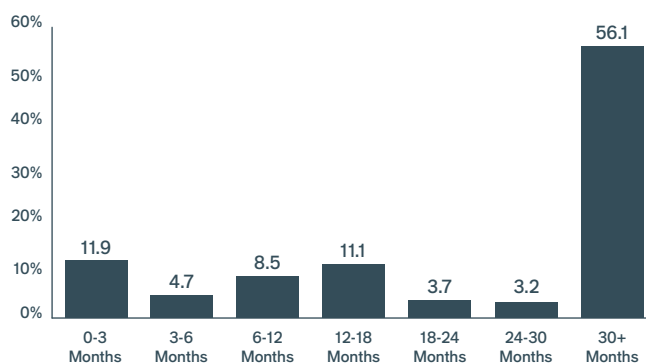
Activity

Our move in recent months to a more cyclically-sensitive portfolio has been reinforced with increased exposure to the building materials, chemicals and the autos sector. This is evidenced in the small increase in Industrials and Materials and large increase in Consumer Discretionary.

We have reduced our exposure to Consumer Staples.

We have maintained a small exposure to Energy.

Current holding period (% of fund)



Source: Factset/Janus Henderson, as at 30 September 2020.

Note: The chart shows the holding period of current positions.

Market overview

Our recent reports have pointed to what we see as a two-speed economic recovery, noting the dichotomy in fortunes between the industrial and services sectors. Indeed, this is noticeable when we compare the sharp recovery of industrial Germany with that of services-based Spain and the UK. The industrial rebound is far from over in our opinion. We have a situation where end demand is meeting the dry tinder of low inventories to create an earnings conflagration and cash flow surge.

Outlook

At the time of writing politicians are defaulting to lockdowns as their primary weapon of choice against this pandemic. It is hard not to believe that this dubious strategy owes itself to the echo chamber within which politicians, pollsters and the mainstream media feed off one another. It is to be hoped that this policy response is not so durable as to derail what is a clear V shaped recovery, notably in the industrial and automotive sectors. It is against this backdrop that we will continue to drive a stock specific strategy, while remaining as pragmatic as ever.

Key holdings

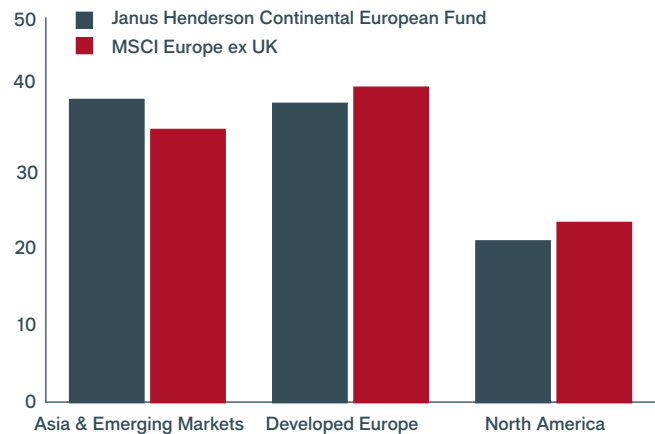
Structural winners	Idiosyncratic value
ASML	AkzoNobel
Atlas Copco	Arkema
Deutsche Borse	ASR Insurance
Grifols	Autoliv
Kone	KION GROUP
legrand	LafargeHolcim
STMicroelectronics	Nokian Renkaat
Schneider Electric	Rheinmetall
	Sanofi
	Sandvik
	SBM Offshore
	UPM
	Volvo

We continue to believe that most sell-side analysts are behind the curve and will scramble to upgrade their estimates for many European industrials. Joining this happy situation is the auto sector, where again end demand is rebounding amid cleared dealer inventories.

Performance overview

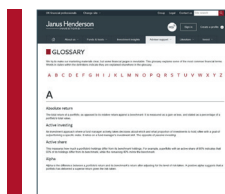
The fund rose 1.9% in the quarter, compared to the MSCI Europe ex-UK benchmark, which returned 1.4%.

International exposure – revenue breakdown



Source: Janus Henderson Investors, at 30 September 2020

Note: Totals may not add up to 100 due to rounding.



Glossary

Please see [HGI.co/glossary](https://www.hgi.co.uk/glossary) for a glossary of financial terms used in this document.

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