

Janus Henderson European Growth Fund

October 2021

Marketing communication

Fund Managers Names

Simon Rowe, Marc Schartz, CFA

Macro backdrop

The main backdrop to markets in October was again rising inflation and the uncertainty about how high it might go, along with the duration of its impact. Energy prices continued to rise with Brent crude trading into the mid \$80s, while industrial metals were also strong. The US 10-year bond yield rose above 1.6% for the first time since the spring, and 2-year rates increased even more rapidly. For equities the main debate centred on when and how much interest rates would rise and the potential impact. Another concern for investors is the extent to which companies will be able to cope with the volatility of costs and widespread disruption to supply chains. The wider concern is that rising inflation and central banks raising interest rates could choke the post-Covid-19 recovery, not helped by evidence of a slowdown in China which has been aggravated by energy rationing and the problems of the property market.

Fund performance and activity

The fund returned 0.2% while its FTSE World Europe Ex UK Index benchmark returned 3.0%. The IA Europe ex UK peer group returned 2.1%. The main detractor was the holding in Worldline which declined sharply after a poorly-received third quarter update. A combination of these slightly underwhelming numbers and setbacks for its listed US peers combined to push the shares down. We reviewed the investment case and still like the company's exposure to the continued shift towards digital payments and as such we continued to hold the stock. Elsewhere, Ubisoft, Korian and Flutter also fell back on slight earnings downgrades.

In general however, the fund's holdings reported solid third quarter results with several delivering upgrades. In particular, Daimler and Kion were strong contributors as they were up 11.4% and nearly 17% respectively following resilient results announcements at the end of the month. We had bought the position in Kion early in the month after it had sold off due to supply chain worries. We thought this was overdue because of its robust pricing power, attractive valuation and strong structural demand for its warehouse equipment in the aftermath of the pandemic. Elsewhere, luxury group Moncler also rose around 17%.

In terms of changes, we reviewed the fund holdings in the light of increasing inflation challenges and trimmed a number of holdings that might be perceived to be in a weaker position as a consequence. We also added holdings in Edenred and LVMH with the former perceived to be a particular inflation beneficiary, while we believe the latter possessed strong pricing power. Finally, we took profit on our position in Infineon because of concerns that the semiconductor cycle could be close to a peak.

Outlook/strategy

With the third quarter reporting season over, it is clear that many companies have coped well with the difficult environment. That said, many may have to implement further price increases into 2022 while for others the supply chain remains challenging - although there are signs that this problem is easing. We continue to monitor the fund holdings closely for resilience. Even though October was disappointing, we believe many of the positions have significant upside potential.

Source: Janus Henderson Investors, as at 31 October 2021

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Fund information

Index FTSE World Europe Ex UK Index
Index usage Target, Comparator

The FTSE World Europe (Ex UK) Index is a measure of the combined performance of large and medium sized companies from developed and advanced emerging European stock markets excluding the UK. It is the performance target for the Fund and provides a useful comparison against which the Fund's performance can be assessed over time.

Peer group benchmark IA Europe ex UK Equity
Peer group benchmark usage Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

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 (GBP)

Performance %	I (Net)	Index	Peer group	Quartile ranking
1 month	0.2	3.0	2.1	4th
YTD	13.8	15.1	13.8	2nd
1 year	29.4	33.8	33.3	3rd
3 years (annualised)	11.1	12.7	12.3	3rd
5 years (annualised)	8.5	10.1	9.4	3rd
10 years (annualised)	11.4	11.0	10.7	2nd
Since inception 20 Jul 2001 (annualised)	9.9	7.6	7.3	-

Source: at 31 Oct 2021. © 2021 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.

Discrete year performance %	I (Net)	Index	Peer group
30 Sep 2020 to 30 Sep 2021	19.5	22.0	22.4
30 Sep 2019 to 30 Sep 2020	4.3	0.4	3.2
30 Sep 2018 to 30 Sep 2019	0.0	6.4	2.2
30 Sep 2017 to 30 Sep 2018	0.9	2.0	1.9
30 Sep 2016 to 30 Sep 2017	22.0	22.7	21.9

Source: at 30 Sep 2021. © 2021 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.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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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.

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Important information

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