

# Janus Henderson European Growth Fund

Q3 2021

For promotional purposes

## Fund Managers Names

Simon Rowe, Marc Schartz, CFA

## Macro backdrop

The first part of the quarter continued the strong market for equities seen in the first part of the year, but September saw more volatile and nervous trading. During the summer markets became more comfortable with the central bank argument that inflationary pressures were "transitory", but in September this story started to break down with significant increases in the price of energy (oil, gas and coal) on the back of low inventories in both Asia and Europe and poor performance from renewables. Crude oil reached a three year high in Europe at close to US\$80 and a seven year high in the US; meanwhile the spot price of gas jumped much more. Furthermore, a number of companies started to warn about the impact of higher input costs and raw material shortages on their results, with the market immediately starting to factor in supply chain problems on a broader basis. Higher inflation coming through the system suggested that central banks might move further and sooner on winding down asset purchases and moving up interest rates than previously thought. In the stock market the prospect of higher interest rates had an immediate, negative knock-on impact on growth-style companies, with a renewed rotation back into value - especially the unloved energy sector and banks. With the extreme volatility demonstrated by energy markets, the macro economic outlook was suddenly looking significantly more uncertain.

## Fund performance and activity

The fund returned 3.4% against its FTSE World Europe Ex UK Index which returned 0.8% and the IA Europe ex UK peer group which returned 1.6%. The fund benefited from generally solid trading results from constituent holdings and outperformed during a more difficult September. While our bank positions worked well against the macro backdrop, Nordea performed particularly well as it rose 20%, bringing its gain this year close to 70%. Our main oil holding, Total, rose 10%. Elsewhere, insurance specialist ASR rose 21% given interest rate trends and solid trading, while good half year numbers also helped Ahold (up 15%) and eye specialist Alcon (up 17%). SBM rose 20% after good numbers and on the back of a substantial share buy-back. These gains were offset by fears of input costs at Carlsberg and Akzo while Worldline was hit by a delay to the disposal of its terminal business and new holding Ubisoft was weak due to the reception of new games.

In terms of changes we took profits in a couple of strong performers including Fluidra, which had almost doubled since initial purchase at the start of the year, and Vivendi, which benefited strongly from the listing of UMG. In addition, we sold out of Autoliv and Kone, anticipating more difficult trading for auto suppliers, and sold out of the China property market. As replacements we purchased Philips, which had been punished over a recall of one of its products, Cembra, which had declined nearly 40% following the loss of an important contract, and Hugo Boss, which is under new management. Other purchases included Flutter, which seems likely to list its well-positioned US betting subsidiary, and Euronext, which seems likely to continue its merger and acquisition (M&A) supported consolidation of European exchanges.

## Outlook/strategy

The start of October has seen further increases in energy costs amid higher volatility together with concerns about the stability of the property market in China - not to mention reports of energy rationing. The US 10-year bond yield has traded up to 1.6%, approaching the peak seen earlier in 2021, with renewed market debate about the risks of "stagflation". Central bankers have started to walk away from the argument that inflationary pressures are "transitory" with some market participants worried that the US Federal Reserve could fumble its response to inflation as it tries to protect growth coming out of the Covid-19 crisis. One of the key uncertainties is the potential wider, disruptive impact of higher energy costs which, if sustained, could put an economic brake on recovery.

Source: Janus Henderson Investors, as at 30 September 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                                  | -2.1    | -3.6  | -3.4       | 1st              |
| YTD                                      | 13.6    | 11.7  | 11.5       | 1st              |
| 1 year                                   | 19.5    | 22.0  | 22.4       | 3rd              |
| 3 years (annualised)                     | 7.6     | 9.2   | 8.9        | 3rd              |
| 5 years (annualised)                     | 9.0     | 10.3  | 9.9        | 3rd              |
| 10 years (annualised)                    | 12.4    | 11.6  | 11.6       | 2nd              |
| Since inception 20 Jul 2001 (annualised) | 9.9     | 7.4   | 7.3        | -                |

Source: at 30 Sep 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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