

EUROPEAN ABSOLUTE RETURN FUND

At a glance

Performance*

The Fund returned 7.58%, the Index returned 0.93%

Contributors/detractors

Positive long positions included STMicroelectronics and ASM International, while Shell and Halma detracted. A short position in a rail transport systems manufacturer contributed, while a memory chipmaker detracted.

Outlook

We feel bullish about European equities for the second half of this year due to the possibility of easing inflation, supportive manufacturing sentiment, German reforms and infrastructure spending.

Portfolio management



Robert Schramm-Fuchs

Investment environment

- European equities rose over the second quarter of 2026, as investors became more optimistic that easing tensions in the Middle East could limit the harm to regional and global economies.
- Some favourable corporate results and renewed enthusiasm about artificial intelligence (AI) later in the period also boosted investor sentiment.
- Continued tensions between the US and Iran weighed on investor sentiment in June, although markets rebounded midway through the month as the two countries reportedly signed an initial peace deal, which reopened the Strait of Hormuz. This contributed to lower oil prices and eased some inflationary pressures. However, equities generally retreated thereafter, as tensions remained elevated.

Portfolio review

Performance was driven primarily by the long book. Here, the longstanding holdings in Erste Group and ABN AMRO Bank contributed, as prospects for the European economy and the outlook for bank earnings improved.

Several holdings exposed to the AI theme also added value. Shares in STMicroelectronics and Huber+Suhner rose due to expectations of surging demand for their

products, photonics chips and advanced optical networks respectively, which are tied to AI data-centre infrastructure. Dutch semiconductor equipment supplier ASM International was another key contributor. The company reported strong first-quarter results, underpinned by robust AI-related demand for its extreme ultraviolet lithography (EUV) machines, which are used by chipmakers to make advanced chips.

Detractors within the long book included Shell and a UK-based industrials holding company Halma. Weaker oil prices weighed on Shell's share price. We purchased Halma in anticipation of a strong earnings release (which we got wrong) and stopped out the position on the morning of the results as its share price fell.

In the short book, a rail transport systems manufacturer contributed after it issued a profit warning, citing delays in its key projects. Conversely, the hedging position in a memory chipmaker detracted, as its earnings benefited from stronger pricing and robust demand. A number of market index hedges also weighed on performance due to broad equities strength during the quarter.

Overall, the portfolio's gross and net exposure at the time of writing in early July is towards the higher end of the usual range. The set-up of the fund for July is similarly as diversified as it was for June. This diversification across the long and short books is deliberate, as we see a broadening out of participation in the stock market rally,

Marketing communication

Past performance does not predict future returns.

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*For benchmark/usage and peer group, 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.

along with many idiosyncratic opportunities on the short side. Recent bouts of sharp, spasmodic factor and sector rotation may be warning signs of elastic bands being stretched and prone to snapping back.

Our long book's top positions are spread across cyclical stocks from the industrials, banks and semiconductor areas, with an almost equally large weighting in typically more defensive stocks from the utilities, healthcare and information-based analytics system sectors. We retain a larger long position in an oil major to hedge against the potential for a renewed flare-up of tensions in the Middle East. Further down the long book, we hold several stocks from the leisure and tourism sector, as well as civil aerospace suppliers. The short book's largest positions are in consumer staples, industrials, telecommunications, healthcare equipment and alternative asset managers.

Manager outlook

We hold an overall bullish outlook for European equities for the second half of this year. Part of this reflects a generally positive outlook across the global economy and stock markets, but part is also specific to Europe. We believe the broadening out of the stock market rally could lead to another period of European stocks outperforming US stocks. Within Europe, we think the DAX Index, a clear laggard versus the wider European market over the last 18 months, has the potential to catch up.

The factors appear to be aligning for Europe. With conflict between the US and Iran subsiding somewhat, we have seen lower oil and gas prices, and we hope this has helped to avoid another European energy crisis. Inflation appears

to be contained. In turn, this has eased pressure on central banks to hike interest rates. While the hawks at the European Central Bank (ECB) are still vocal, it seems the majority in the governing council may be tilting towards a 'one and done' position on future rate hikes (with the hike already executed recently).

Elsewhere, the Purchasing Managers' Index (PMI) and its forward-looking component of new orders continue their upward trend. To our surprise, German reforms appear to be being pushed back on track ahead of the summer recess after a disappointing nine-month stretch. In particular, we think the pension reform merits recognition as, for the first time, it establishes a meaningful element of capital stock building via investments. Additionally, the German infrastructure spending roll-out is expected to accelerate over the remainder of this year.

In conclusion, since European stocks were "re-discovered" by global investors in late 2024, the EuroStoxx 50 Index has risen 44% in US dollar terms. This tops the Nasdaq 100 Index, which rose around 39%, and the S&P 500 Index, which rose around 24%, over the same period. The US "Liberation Day" trade tariff episode last year, and then the US conflict with Iran this year, temporarily weighed on European equities. However, we think Europe could reaccelerate from here, particularly as global investor positioning seems to have defaulted back to having a very low exposure to European equities. As such, we are optimistic about what we see as the opportunity that may lie ahead.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (29/01/09)
I Acc (Net)	2.74	7.58	7.77	16.03	11.35	7.20	6.42	6.44
Index	0.31	0.93	1.87	3.97	4.74	3.54	1.96	1.34
Target	—	—	—	—	5.78	4.57	2.48	1.64

12 month rolling

	Jun 2025-Jun 2026	Jun 2024-Jun 2025	Jun 2023-Jun 2024	Jun 2022-Jun 2023	Jun 2021-Jun 2022
I Acc (Net)	16.03	5.23	13.08	6.92	-4.10
Index	3.97	4.86	5.39	3.19	0.35

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/06/26. © 2026 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. This is a representative share class for the fund, other share classes are available and may be more suitable for your investment needs.

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. 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. 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 a positive (absolute) return, regardless of market conditions, over any 12 month period. A positive return is not guaranteed over this or any other time period, and particularly over the shorter term the Fund may experience periods of negative returns. Consequently your capital is at risk. Performance target: To outperform SONIA +1% per annum, after the deduction of charges, over any 3 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	26 January 2009
Total net assets	23.42m
Asset class	Alternatives
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	SONIA

For benchmark/usage description, refer to Additional fund information on page 4.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. From 1 June 2021, the benchmark changed from the UK Base Interest Rate to SONIA. The Fund's investment policy and performance target changed. Past performance shown before 01 June 2021 was achieved under circumstances that no longer apply. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

SONIA stands for Sterling Overnight Index Average. SONIA reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions. SONIA is the basis for the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.

Investment policy

The Fund invests in shares and makes extensive use of derivatives (complex financial instruments) to take both 'long' and 'short' positions in companies the Investment Manager believes will either rise in value (long positions) or fall in value (short positions) meaning that the Fund may benefit from either scenario. The Fund will hold a significant proportion of its assets in cash and money market instruments as a result of holding derivatives and for when the Investment Manager wishes to take a defensive stance. The Fund may also invest in Collective Investment Schemes (including those managed by Janus Henderson). Conversely, the Fund may also employ 'leverage' (so that the Fund can invest a greater amount than its actual value) when the Investment Manager has greater confidence in the opportunities available. At least 80% of the exposure to the long and short positions (in aggregate) will be to companies of any size, in any industry, in Europe (including UK). Companies may be located or do most of their business in this region. The balance of the long and short exposure may be to companies outside this region. The Investment Manager may also use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed and makes reference to SONIA as this forms the basis of the Fund's performance target and the calculation of performance fees (if applicable). The Investment Manager has complete discretion to choose investments for the Fund and is not constrained by a benchmark.

Investment strategy

The Investment Manager targets long-term capital appreciation through exposure primarily to European equities. The manager selects stocks using a fundamental approach, blended with sector themes. The process results in a high-conviction portfolio with a bias towards long positions (where the manager believes the prospects for the companies are positive), complemented by 'short positions' (where prospects are less positive) and other market hedging securities.

Fund specific risks

Shares 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. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. 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. seeks to mitigate exchange rate movements between the share/unit class currency and the base currency of the Fund), the value of your investment may be impacted by changes in exchange rates. Derivatives may be used to help achieve the investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses may therefore be greater than the cost of the derivative. Derivatives also introduce other risks, in particular, that a derivative counterparty may not meet its contractual obligations. 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. Securities 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. The Fund involves a high level of buying and selling activity and as such will incur a higher level of transaction costs than a fund that trades less frequently. These transaction costs are in addition to the Fund's ongoing charges. Losses could be incurred if a counterparty became 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.

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FOR MORE INFORMATION PLEASE VISIT [JANUSHENDERSON.COM](https://www.janushenderson.com)

Source: Janus Henderson Investors, as at 30 June 2026, unless otherwise noted.

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