Janus Henderson INVESTORS

# PAN EUROPEAN FUND

## At a glance

**Performance***
The Fund returned −3.61%, the Index returned −1.00% and the Sector returned −1.18%.

**Contributors/detractors**
ASML, STMicroelectronics, Siemens Energy, Orange and CRH detracted, while ABN Amro, BBVA, Erste Group, Hexagon and TotalEnergies contributed to performance.

**Outlook**
Attention has shifted decisively towards the interest rate outlook, with developments in bond markets likely to remain a key driver of asset returns and market leadership in the coming months.

## Portfolio management



**Robert Schramm-Fuchs**



**Marc Schartz, CFA**

## Investment environment

- European equities fell in the third quarter, as pricing pressures, geopolitical tensions and sharp rises in bond yields (falling prices) weighed on investor sentiment.
- Performance was subdued in July, given a sharp reassessment of the AI investment theme, while an upsurge in fighting between the US and Iran drove up energy prices.
- Robust corporate earnings, strong performance from semiconductor and artificial intelligence (AI)-related infrastructure stocks, and economic optimism spurred a rally in August. However, equities reversed course in September.
- The European Central Bank (ECB) continued to hint that it could raise its key deposit rate, which it did in the final month of the quarter and signalled that further monetary policy tightening may be needed.
- Economic data was largely positive. Eurozone GDP expanded by 0.6% over the second quarter, up from no growth in the first quarter. The composite Purchasing Managers' Index (PMI) hit a three-and-a-half-year high in September, suggesting an improved outlook despite the uncertainty caused by the US/Iran conflict.
- However, eurozone annual inflation accelerated from 2.8% in June to 3.2% in August. This was largely due to higher energy prices.

## Portfolio review

It was a challenging quarter for the fund, with the relative underperformance concentrated in July, when holdings exposed to the theme of AI enablement came under significant pressure. We had already begun moderating the positions in certain areas of this allocation in June, but the portfolio retained a sizeable position and the sharp reversal in these stocks consequently weighed on returns. While periods of severe counter-momentum shifts are not seasonally unusual, the scale and speed of the move were significantly greater than we would typically expect.

The July weakness impacted a number of our AI-related holdings, including Dutch semiconductor equipment company ASML, STMicroelectronics and Siemens Energy. ASML's shares came under additional pressure following reports that a Chinese state-backed company had begun manufacturing immersion deep ultraviolet (DUV) lithography systems. While China's domestic semiconductor ambitions warrant close monitoring, we viewed the market reaction as disproportionate, given the

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*For benchmark and sector, if applicable, refer to Fund details on page 4. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 5.

reported system remains some distance from matching the capability, reliability and scale of ASML's competing products.

Other notable detractors included the holding in French telecommunications firm Orange. Its shares initially fell amid an absence of news flow on the proposed consolidation in France, with investors awaiting greater clarity on the regulatory approval process. Later in the period, higher French government bond yields weighed on the shares, alongside concerns that the emergence of consumer AI agents could intensify pricing pressures in the sector. However, these concerns appear overdone in our view, given Europe's highly competitive pricing environment and the widespread availability of price-comparison tools.

Finally, elevated bond yields were a headwind for rate-sensitive holdings such as construction materials group CRH. The higher interest-rate environment has clouded the prospects of a recovery in US and European residential construction markets.

More positively, a number of our banking holdings, including Dutch lender ABN Amro, Spanish-listed BBVA and Austrian bank Erste Group, were among the top performers. The sector benefited from resilient earnings trends and expectations of higher-for-longer interest rates, while ABN Amro's shares were also boosted by positive sentiment towards its restructuring efforts.

The position in Nokia was also beneficial for relative performance. The shares fell amid the technology-led sell-off in July and our lack of exposure proved beneficial for returns, having taken profit in June. The volatility that followed provided an opportunity for us to reinitiate a position in Nokia at a level we considered attractive. The shares subsequently recovered and we took profits again, exiting the position in September.

Elsewhere, measurement technology group Hexagon added value after delivering a strong set of results. We continue to see value in the company's core business, supported by a robust product pipeline, an experienced management team, and longer-term optionality from its industrial AI and humanoid robotics initiatives.

Oil and gas company TotalEnergies was another notable outperformer. Oil prices rose sharply in the quarter due to ongoing supply disruptions linked to the unresolved US/Iran conflict.

In terms of activity, we focused on balancing our AI positions in response to shifting market dynamics. Price action over the summer in the AI universe, particularly among semiconductor companies, suggested the sector could be entering a phase of slower growth, with a potential rollover in memory pricing adding to near-term risks. At the same time, increasing circularity across the AI value chain and higher bond yields pointed to a less supportive market backdrop. Taken together, these factors support a more balanced portfolio stance.

We used the rebound in semiconductor-related stocks in late July and August to reduce our position in this area, for example by exiting the holding in STMicroelectronics. We also took profits in other holdings in the broader AI ecosystem, exiting our positions in ACS, Siemens Energy and Linde, where we felt valuations had become less compelling.

On the other side, we added positions in selected stocks perceived as "AI losers", where weaker share-price performance has improved the risk/return profile. These included software companies SAP and Dassault Systèmes, and French advertising firm Publicis.

We later added a new position in Rexel, which we viewed as attractively valued relative to other stocks exposed to the AI theme. The French electrical supplies firm announced plans to acquire CGC, a US-based specialty infrastructure platform. The transaction prompted a capital raise, which we participated in.

We also narrowed the underweight position in the consumer staples sector by adding consumer packaged goods platform Coca-Cola HBC to the portfolio. The company has a history of solid earnings compounding. A pending acquisition of a stake in Coca-Cola Beverages Africa could support growth prospects in Africa, in our view.

## Manager outlook

The situation in the Middle East remains fluid, with intermittent signs of diplomatic progress between the US and Iran continuing to alternate with renewed outbreaks of hostilities. This prolonged period of uncertainty has meant expectations for higher inflation have remained elevated. It has also contributed to the recent rise in global long-term bond yields to multi-year highs. As a result, investor attention has shifted towards the interest rate outlook, with developments in bond markets likely to remain a key driver of both asset returns and market leadership through the remainder of the year.

Another important debate centres on the durability of the AI-driven investment theme that has dominated equity markets for much of the past two years. While companies exposed to semiconductors and AI infrastructure have continued to deliver strong growth and earnings momentum, history suggests that sharp reversals in share-price leadership can precede a moderation in underlying expectations for growth. Against this backdrop, we have adopted a balanced stance towards the AI theme. At the same time, we retain overweight positions in sectors that tend to be sensitive to yields, such as financials and energy.

In Europe, the economic backdrop has continued to improve gradually since the start of the year. Leading indicators have shown increasing signs of stabilisation, most notably in Germany, where the manufacturing PMI returned to expansionary territory for the first time in over three years in January and gradually strengthened thereafter towards a multi-year high. This improvement has been reinforced by a broadly supportive second-quarter earnings season.

In managing the portfolio, we remain focused on bottom-up stock selection, maintaining balanced exposure across cyclical and typically more defensive businesses. We also aim to selectively position the portfolio to potentially benefit from both Europe's global champions and areas offering leverage to an improving domestic economic backdrop.

## Performance (%)

| Returns | Cumulative | | | | Annualised | | |
|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
| A2 EUR (Net) | -2.41 | -3.61 | 3.28 | 9.64 | 12.02 | 8.05 | 8.57 |
| Index | -2.40 | -1.00 | 9.64 | 16.49 | 14.79 | 9.92 | 9.05 |
| Sector | -2.30 | -1.18 | 8.38 | 13.97 | 12.37 | 7.12 | 7.27 |

| Calendar year | YTD at Q3 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| A2 EUR (Net) | 3.28 | 19.26 | 4.45 | 20.59 | -9.33 | 22.97 | 2.17 | 29.06 | -12.17 | 7.16 | -0.56 |
| Index | 9.64 | 19.39 | 8.59 | 15.83 | -9.49 | 25.13 | -3.32 | 26.05 | -10.57 | 10.24 | 2.58 |
| Sector | 8.38 | 15.27 | 6.72 | 14.06 | -13.14 | 22.99 | -0.91 | 24.51 | -12.72 | 10.06 | -0.24 |

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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.

## Investment objective

The Fund aims to provide a return, from a combination of capital growth and income over the long term (5 years or more).

For the fund's investment policy, refer to the Additional fund information on page 5.
**Past performance does not predict future returns.**

## Fund details

| | |
|---|---|
| **Inception date** | 29 September 2000 |
| **Total net assets** | 1.05bn |
| **Asset class** | Equities |
| **Domicile** | Luxembourg |
| **Structure** | SICAV |
| **Base currency** | EUR |
| **Index** | MSCI Europe Index$^{SM}$ |
| **Morningstar sector** | Europe Large-Cap Blend 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. 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. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). 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.

## Investment policy

The Fund invests at least two-thirds of its assets in shares (equities) and equity-related securities of companies, of any size, in any industry, in Europe (including UK). Companies will have their registered office in or do most of their business (directly or through subsidiaries) in this region. The Fund may also invest in other assets including 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 Index, which is broadly representative of the companies in which it may invest, as this can provide a useful comparator for assessing the Fund's performance. The Investment Manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. Depending on prevailing market conditions the Fund's portfolio may shift between 'high conviction' (whereby the manager will take significant risk relative to the index) and a more cautious stance. This means the performance of the Fund may at times differ significantly from the index, while at other times it may be more closely aligned.

## Investment strategy

The Investment Manager looks to anticipate catalysts for change in companies and industries based on fundamental research and thought leadership, in order to construct a portfolio of large companies complemented by mid-size company opportunities with the potential to enhance the Fund's overall returns. Smaller companies are not normally a significant focus of the portfolio.

## 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. Derivatives may be used 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. 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. 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. 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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Source: Janus Henderson Investors, as at 30 September 2026, unless otherwise noted.

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