Janus Henderson INVESTORS

EUROPEAN SELECTED OPPORTUNITIES FUND

At a glance

Performance*
The Fund returned −4.33%, the Index returned −2.55% and the Peer Group returned −1.63%.

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

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 artificial intelligence (AI) investment theme, while continued conflict between the US and Iran drove up energy prices.
- Robust corporate earnings, strong performance from semiconductor and AI-related infrastructure stocks, and economic optimism spurred a rally in August. However, markets 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, 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. While we had already begun moderating the positions in certain areas of this allocation in June, we retained a sizeable position and the sharp reversal in these stocks consequently weighed on performance. 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 companies ASML, STMicroelectronics and Siemens Energy. Shares of ASML 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 reported system remains some distance from matching the

Marketing communication
Past performance does not predict future returns.
References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned. There is no guarantee that past trends will continue, or forecasts will be realised.
*For benchmark/usage and peer group, 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.

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 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 was 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 performance, having taken profit in June. The volatility that followed provided an opportunity for us to reinitiate a position in Nokia at what we saw as an attractive level. 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, a trusted 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 over the quarter due to ongoing supply disruptions caused by the unresolved US/Iran conflict.

In terms of activity, we focused on balancing the 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 the position, by exiting STMicroelectronics, for example. We also took profits in other holdings in the broader AI ecosystem, exiting positions in ACS, Siemens Energy and Linde, where we felt that valuations had become less compelling.

On the other side, we initiated positions in selected stocks perceived as "AI losers", where weaker share-price performance had, in our view, improved the risk/return profile for us. These included software companies SAP and Dassault Systèmes, and French advertiser 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. In return, we took profits in existing AI-related holding Infineon Technologies, as we felt the valuation had become less compelling.

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 may bode well for 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 that expectations for higher inflation have persisted. 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 decisively towards the outlook for interest rates, 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 artificial intelligence (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 adopt 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, as well as renewed reform momentum.

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	Since inception (31/08/84)
I Acc (Net)	-3.18	-4.33	1.68	8.06	11.61	8.19	9.27	12.79
Index	-2.92	-2.55	7.51	14.47	15.07	9.88	10.08	—
Peer Group	-2.81	-1.63	6.90	12.15	12.86	7.51	8.71	10.50

12 month rolling	Sep 2025-Sep 2026	Sep 2024-Sep 2025	Sep 2023-Sep 2024	Sep 2022-Sep 2023	Sep 2021-Sep 2022
I Acc (Net)	8.06	13.81	13.05	22.73	-13.15
Index	14.47	15.47	15.28	20.51	-12.78
Peer Group	12.15	11.82	14.63	18.98	-16.01

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/09/26. © 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.

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	01 September 1984
Total net assets	1.51bn
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	FTSE World Europe (Ex UK) Index
Peer group	IA Europe ex UK Equity

For benchmark/usage description, refer to Additional fund information on page 5.

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 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. 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.
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 provides a useful comparison against which the Fund's performance can be assessed over time.
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.

Investment policy

The Fund invests at least 80% of its assets in shares (also known as equities) of companies, of any size, in any industry, in Europe (excluding UK). Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, this region. The Fund may also invest in other assets including Collective Investment Schemes (including those managed by Janus Henderson), 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 FTSE World Europe Ex UK 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. As an additional means of assessing the performance of the Fund, the IA Europe ex UK sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

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. 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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INVESTORS

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