

Janus Henderson Pan European Smaller Companies Fund

Q3 2021

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For professional investors only

Fund Managers Names

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Macro backdrop

The end of the third quarter saw weak equity performance and a sharp style reversal with value outperforming growth for the first time in months. The market volatility was caused by investors grappling with the idea of slowing economic growth and rising inflation.

Fund performance and activity

Given the style balance in the portfolio the fund performed poorly in July as the growth style heavily outperformed the value style. In the latter part of the period the fund did not suffer meaningfully (unlike growth-skewed peers) during the style rotation, with some of our higher yielding financial stocks contributing most to the fund's return - not only due to rising bond yields but also due to the fact the regulator is allowing them to pay dividends once again. Van Lanschot Kempen was our largest contributor as a result. We also benefited from improving sentiment toward travel with good news on the pandemic front leading to further unlocking of the industry. This included names such as Dalata Hotels, Jet2 (airline) and Aareal Bank, given its underlying loan book exposure to the hotels industry. Cyber security company Avast also performed well as it announced that it is in advanced talks with NortonLifeLock on a merger, as did Kronen, which released results showing good order intake in its beer bottling segment.

The biggest drag came from online wall art retailer Desenio which announced second quarter growth rates significantly below expectations. As demand in a post-lockdown world is now in question, we exited the shares. We also saw some of the winners year-to-date giving back some ground, such as Criteo. Gaming company Stillfront was also weak as the company's results showed a meaningful impact of the IDFA changes implemented by Apple. Apple is seeking to improve app tracking transparency by allowing users the option of not sharing their personal data and the company had forecast a smaller impact on its revenue. Also among the detractors was onshore wind turbines company Nordex following an unexpected capital raise. Despite this being unanticipated we liked the acceleration of the company's growth projects and remain holders.

New purchases included stainless steel producer Acerinox, which we bought in the market before topping up our position in a placing. Tariffs on Chinese steel have seen the market remain tight and the sell-down from Nippon Steel benefited the stock. We also bought ASR Nederland which many view as a boring, Dutch mid-cap insurance company. Aside from valuation, we liked its lower than average leverage and potential for market consolidation. We also added to our holding in gaming company Stillfront following share price weakness. Disposals included BHG Group. BHG has been a strong contributor since we bought the stock at its initial public offering (IPO), but we now have questions around its consolidator model given that its latest acquisitions were in areas away from the core offering. We also sold Signify as we were concerned by component shortages and susceptibility to profit-taking after a very strong run. We also sold Avast, after it announced a large merger.

Outlook/strategy

While we will not have firm conclusions to the inflation debate for some time we are increasingly of the view that inflation is here to stay. With that in mind we expect bond yields to trend higher (bond prices lower), likely in a volatile manner, and remain wary of long duration growth stocks trading on high valuations. We also expect the remainder of the year to be volatile for equities before a stronger 2022 when we expect GDP growth expectations to settle at a level above the average of the last decade.

Source: Janus Henderson Investors, as at 30 September 2021

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Fund information

Index	Euromoney Europe Smaller Companies Index
Morningstar sector	Europe OE Europe Small-Cap Equity
Objective	The Fund aims to provide a return, from a combination of capital growth and income over the long term (5 years or more).

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking
1 month	-4.5	-4.1	-4.2	3rd
YTD	17.7	18.1	20.8	3rd
1 year	47.9	39.9	41.2	2nd
3 years (annualised)	13.8	11.5	12.4	2nd
5 years (annualised)	12.0	11.2	12.1	2nd
10 years (annualised)	14.8	13.6	14.4	2nd
Since inception 24 Mar 2005 (annualised)	10.6	9.4	9.5	-

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 %	A2 (Net)	Index	Sector
30 Sep 2020 to 30 Sep 2021	47.9	39.9	41.2
30 Sep 2019 to 30 Sep 2020	0.6	0.9	6.7
30 Sep 2018 to 30 Sep 2019	-1.0	-1.8	-5.8
30 Sep 2017 to 30 Sep 2018	-4.3	2.2	0.8
30 Sep 2016 to 30 Sep 2017	25.2	20.3	23.6

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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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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