

Janus Henderson Horizon Pan European Absolute Return Fund

Q2 2021

For promotional purposes
For professional investors only

Fund Managers Names

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Macro backdrop

We went through June with a below-average gross exposure as the market proved difficult to navigate and directionless under the bonnet. Whatever trade seemed right one day was likely to be proven wrong the next. As described in our last two monthly updates, we think this is due to the stock market beginning to anticipate peak cyclical growth momentum. So far it is still only select individual data points to support this narrative, for instance a softening OECD Leading Indicator, falling University of Michigan US household goods, home buying and car purchase intentions, and declining global manufacturing purchasing managers' index (PMI) new orders. At the moment, these are all just single monthly observations and need confirmation by July and August data to signal more of a regime change. Still, we are paying close attention now, not just because of equity market price action and a one-month slowdown in data, but also because it increasingly fits our three macroeconomic determinants.

As regular readers of fund update will be aware, we follow three macro inputs as the main drivers for the cycle - real money creation, inventory dynamics and capital investment spending. Real money creation across the G7 and E7 countries peaked in summer 2020. It usually precedes global manufacturing PMI new orders by two to three quarters. So far this cycle, the latter has managed to decouple from the former for a bit longer than usual. We attribute this to the extraordinary level of money creation from policy support last year. Despite rolling over, the global credit impulse on an absolute basis during the second quarter was still above the highs of the past 15 years. Secondly, the extreme inventory depletion and supply chain disruption dynamics unique to the pandemic are also playing a role in extending the 'boom' phase of this cycle. However, also here we are now detecting an inflection upwards, ie. stock building is beginning. Examples include an unseasonal increase in China steel trader inventories, a recent pulp port stock level increase, an autos industry that seems just past the worst in terms of semiconductor shortage, and also some weakness in Asia smartphone sell-out. Capital investment spending is recovering nicely, but again is already well off the depths, for example in vessel contracting or heavy duty truck orders.

Fund performance and activity

We have shifted the composition of our net long exposure. We have decisively moved away from the industrial recovery V-shape, towards reflecting a consumer experiences V-shape recovery in the portfolio. We had hinted during April and May that we had largely neutralised our positioning in semiconductors, short cycle industrials and automotive. We are in fact now net short these sectors. The risk of an industrial momentum air pocket over coming months is quite high in our view as the recovery switches from goods to services. On the other hand, we have further increased our exposure to health care and food and beverage stocks since the last update. We have added some restructuring stories where very credible new management is taking over. By far our main theme - 'always looking good' - has retained its place and weighting. Despite concerns about the Covid-19 Delta variant, we are seeing yet more evidence for consumers being allowed to go out / eat out again, socialise and return to work. With this usually comes a desire or need to dress appropriately for the occasion, thus refreshing the wardrobe which may have gone a bit stale and very casual during lockdowns. Hard high frequency data on physical retail footfall, credit card spending, hotel occupancy rates or restaurant bookings seems to confirm our view.

While we were undecided in the last update, we have now also begun addressing our previously chunky banks net long positioning. The market seems to have fully embraced central banks' view that inflation is transitory. With our view on the macro cycle, we have also shifted a little more to that side. We still see potential for an inflation overshoot, but it appears the bond and equity markets may well be in wait and see mode for a while longer, possibly either until the US Federal Reserve's (Fed) late summer Jackson Hole meeting or even to the regular post-summer Fed and European Central Bank (ECB) meetings which are now most likely to bring a shift in policy stance.

Source: Janus Henderson Investors, as at 30 June 2021

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Fund information

| | |
|--------------------|---|
| Index | Euro Base Rate (Euro Main Refinancing Rate) |
| Morningstar sector | Europe OE Alt - Long/Short Equity - Europe |
| 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 the Euro Short Term Rate (€STR), after the deduction of charges, over any 3 year period. |

Performance in (EUR)

| Performance % | A2 (Net) | Index |
|--|----------|-------|
| 1 month | -0.3 | 0.0 |
| YTD | 6.0 | 0.0 |
| 1 year | 15.9 | 0.0 |
| 3 years (annualised) | 4.8 | 0.0 |
| 5 years (annualised) | 3.9 | 0.0 |
| 10 years (annualised) | 4.8 | 1.6 |
| Since inception 01 Dec 2006 (annualised) | 4.1 | -1.2 |

Source: at 30 Jun 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 |
|-----------------------------|----------|-------|
| 30 Jun 2020 to 30 Jun 2021 | 15.9 | 0.0 |
| 30 Jun 2019 to 30 Jun 2020 | 3.0 | 0.0 |
| 30 Jun 2018 to 30 Jun 2019 | -3.7 | 0.0 |
| 30 Jun 2017 to 30 Jun 2018 | -0.8 | 0.0 |
| 30 Jun 2016 to 30 Jun 2017 | 6.0 | 0.0 |

Source: at 30 Jun 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.

Please note that as of 01 July 2021, the benchmark changed from the Euro Main Refinancing Rate to the Euro Short Term Rate (€STR). The Fund's investment policy, reference benchmark and performance target changed. Past performance shown before 01 July 2021 was achieved under circumstances that no longer apply.

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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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A copy of the Fund's prospectus, key investor information document, articles of incorporation, annual and semi-annual reports can be obtained free of cost from the local offices of Janus Henderson Investors: 201 Bishopsgate, London, EC2M 3AE for UK, Swedish and Scandinavian investors; Via Dante 14, 20121 Milan, Italy, for Italian investors and Roemer Visscherstraat 43-45, 1054 EW Amsterdam, the Netherlands. for Dutch investors; and the Fund's: Austrian Paying Agent Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna; French Paying Agent BNP Paribas Securities Services, 3, rue d'Antin, F-75002 Paris; German Information Agent Marcard, Stein & Co, Ballindamm 36, 20095 Hamburg; Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; Spanish Representative Allfunds Bank S.A. Estafeta, 6 Complejo Plaza de la Fuente, La Moraleja, Alcobendas 28109 Madrid (Registered in Spain under CNMV 353. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.); Singapore: Singapore Representative Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; or Swiss Representative BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich who are also the Swiss Paying Agent. RBC Investor Services Trust Hong Kong Limited, a subsidiary of the joint venture UK holding company RBC Investor Services Limited, 51/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, Tel: +852 2978 5656 is the Fund's Representative in Hong Kong.

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