

Henderson European Focus Trust

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Fund Managers Name

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Macro backdrop

John Bennett, Portfolio Manager of Henderson European Focus Trust, provides an update on the Trust highlighting factors affecting the European market and areas where he is finding opportunities.

At the time of writing the world economy is facing the stiff challenge presented by what could be termed "a shortage of everything". If we dwell on energy, here is a sector where supply shortage has been exacerbated by the gold rush known as ESG investing. Politicians, protesters and investors are seemingly uniting to "cancel" certain corporates and/or industries. This, in turn, has led to something of a starvation of capital committed to the likes of oil exploration and carbon energy infrastructure. We are now faced with the harsh realities of such "cancellation" as the world is brought to a shuddering reality: that the energy transition has to take time; it cannot be rushed.

As unfashionable as that view may seem, it is also unfashionable, to some, to hold oil stocks in investor portfolios. Here we see opportunity: the opportunity to invest in seriously undervalued stocks and, via engagement, to demonstrate that those companies are part of the solution. In recent weeks, therefore, we have increased our exposure to the oil sector.

We also believe that the "shape" of the market has thrown up further opportunity, one that can be described as the style discrepancy. With "growth" stocks once again in the ascendancy over the summer months, a number of "value" names have been left in the wake. Thus, we have added selectively to exposure in the autos and banking sectors.

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Glossary

ESG - Environmental, social and governance are three key criteria used to evaluate a company's ethical impact and sustainable practices.

Growth stock - A growth stock is any share in a company that is anticipated to grow at a rate significantly above the average growth for the market. These stocks generally do not pay dividends. This is because the issuers of growth stocks are usually companies that want to reinvest any earnings they accrue in order to accelerate growth in the short term. When investors invest in growth stocks, they anticipate that they will earn money through capital gains when they eventually sell their shares in the future.

Value stock - A value stock refers to shares of a company that appears to trade at a lower price relative to its fundamentals, such as dividends, earnings, or sales, making it appealing to value investors.

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