

Janus Henderson Horizon Pan European Property Equities Fund

Q3 2021

For promotional purposes
For US Financial Professionals servicing non-US persons

Fund Managers Names

Guy Barnard, CFA, Nicolas Scherf

Macro backdrop

European equities ended largely flat in what proved to be a quarter of two halves. Covid-19 vaccination roll-outs, easing restrictions and fading inflation concerns were initially conducive to some strong share price performance. However, growth concerns and rising bond yields led investors to de-risk after a strong run, largely erasing the gains seen earlier in the quarter. It was a similar story for property stocks - having displayed material outperformance for much of the quarter they finished the period flat, marginally behind the wider universe. Swedish, Belgian and UK property companies led the way from a geographical perspective.

Within the sector areas of structural growth experienced outperformance, most notably storage and logistics stocks where results once again highlighted very favourable fundamentals. Retail names underperformed as the continued negative impact of Covid-19 lockdowns and Delta variant threats to a sustained recovery hindered performance. The German election saw the Social Democrats take the largest vote share and they are now leading coalition negotiations to form a majority government. While this will see a change in the political landscape, from a residential real estate perspective comfort was taken from the perceived 'worst case' (far left coalition) scenario being ruled out by the election result.

Merger and acquisition (M&A) activity once again highlighted the disparity between underlying real estate value and company share prices as Swedish commercial landlord Castellum made a bid for peer Kungsleden at a 21% premium to net asset value (NAV). Likewise, German residential owner Vonovia made an increased offer for peer Deutsche Wohnen, which saw it cross its revised 50% acceptance threshold and Heimstaden

agreed to buy residential properties worth 92 billion Swedish krona from Akelius. The transaction is the largest ever in Sweden and one of the largest in the world.

The price represented a premium on the latest booked value (in June) of almost 22%.

Overall, the fund's benchmark FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index rose 0.1% over the quarter.

Fund performance and activity

The fund outperformed its index, driven by stock-selection.

Our logistics exposure performed well with VGP in Belgium, VIB in Germany and Netherlands-listed CTP key contributors following strong results. Nordic social infrastructure owner SBB was once again a stand-out performer, as were Safestore and Secure Income REIT in the UK. Detractors included housebuilders Kaufman & Broad in France and Instone in Germany, as well as Wihlborgs in Sweden. Likewise concerns over the future of the office market resulted in lacklustre performance in French landlord Gecina.

In an active quarter, we initiated a new position in UK diversified company Landsec with the stock trading at a deep discount to its reported NAV following a period of substantial underperformance and at a time when underlying asset values were improving. Elsewhere, in the UK we added logistics names Tritax Big Box and Tritax Eurobox where we liked the continued strength in their respective UK and Continental European markets. We also added Target Healthcare, an owner of care homes across the UK that is looking to grow via selective acquisitions.

We used Deutsche Wohnen as a source of capital for new initiations and to top up peers Vonovia and LEG (following the improved offer, we subsequently exited our position). We also closed our position in German diversified landlord Aroundtown, using the proceeds to add to our position in French office landlord Gecina. With both shares trading at deep discounts to their NAV, we had more conviction in Gecina's strategy and prime office portfolio. We sold our position in Swedish commercial landlord Nyfosa, using the proceeds to add to Swedish peers Castellum, Balder and Wihlborgs.

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Outlook/strategy

We expect underlying real estate fundamentals to reflect a wide divergence across different sectors in the years ahead, driven by the themes of changing demographics, digitisation, sustainability and the convenience lifestyle. It therefore remains important, in our view, to remain selective when investing in the sector and understanding that not all parts of the market will return to the same 'normal' after the pandemic.

We remain focused on 'quality compounders', operating in areas of structural growth, where underlying demand from both tenants and investors has in many cases strengthened through the pandemic. We also have selective exposure in parts of the market which we see as 'cheap but not broken'; those stocks that have seen cyclical damage from the pandemic, but where we see a path back to sustainable growth.

Listed real estate has historically offered lower correlations to many other asset classes and provided investors the benefits of portfolio enhancement by increasing risk-adjusted returns within a balanced portfolio. In addition, against a backdrop of low interest rates and rising inflationary pressures, many parts of the real estate sector continue to provide an attractive and growing income stream for investors.

Source: Janus Henderson Investors, as at 30 September 2021

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Fund information

Index	FTSE EPRA Nareit Developed Europe Capped Index
Morningstar sector	Europe OE Property - Indirect Europe
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the FTSE EPRA Nareit Developed Europe Capped Index, after the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking
1 month	-7.0	-8.5	-7.9	1st
YTD	17.9	9.7	10.9	1st
1 year	30.7	23.6	23.4	1st
3 years (annualised)	11.3	4.7	5.5	1st
5 years (annualised)	10.9	4.7	5.5	1st
10 years (annualised)	14.3	9.9	9.9	1st
Since inception 01 Jul 1998 (annualised)	8.4	8.1	7.3	-

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.

Calendar year returns %	A2 (Net)	Index	Sector
2020	-3.9	-10.7	-9.6
2019	35.6	28.5	28.5
2018	-5.6	-8.4	-7.6
2017	19.8	12.5	13.4
2016	-7.9	-5.3	-4.4

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

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The information in this commentary does not qualify as an investment recommendation.

Important information

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