

Janus Henderson Horizon Pan European Property Equities Fund

Q4 2020

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For professional investors only

Fund Managers Names

Guy Barnard, CFA, Nicolas Scherf

Macro backdrop

Equity markets made material gains over the quarter as investors welcomed positive news about Covid-19 vaccines. The start of a vaccine roll-out gave increased confidence in 'return to normal' in 2021 and enabled markets to look through concerns over further restrictions amid rapidly increasing Covid-19 infections and new highly contagious strains of the virus. Further constructive news on US stimulus and a Brexit deal buoyed markets into year end. European real estate markets also reacted positively to the vaccine news, posting strong returns and outpacing wider equities, but finishing the year some way behind.

The fourth quarter vaccine-fuelled rally saw notable outperformance of the 'value' over 'growth' style with those subsectors and stocks exposed to the areas of the market most impacted by the pandemic taking up market leadership. The retail and hotel sectors were the standout performers while year-to-date leaders in the logistics, residential and self-storage subsectors saw a reversal of fortune and lagged over the quarter. In the transaction market, pricing of industrial/logistics assets strengthened further and several deals also highlighted strong demand for core office assets across European markets. In retail, a top three UK mall, the Trafford Centre in Manchester, looks likely to trade at a 50% discount to its most recent valuation and 65% below peak values, highlighting the headwinds still facing parts of the sector. The disconnect between real estate share prices and investment market values also saw merger and acquisition (M&A) activity increase, with UK residential master developer Urban & Civic subject to a takeover offer from the Wellcome Trust, and Norwegian office owner Entra attracting bids from two Swedish peers. Overall the fund's benchmark index (FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index) rose 12.7% over the quarter.

Fund performance and activity

The fund lagged the index over the quarter.

An absence of retail landlords was the largest detractor. Here, shares saw a significant rally following the vaccine announcements and with news that a proposed dilutive equity raise from Unibail-Rodmaco-Westfield had been voted down by shareholders. We also saw names which had performed well year-to-date give up gains as investors broadly sold leaders to buy laggards. This included Swedish landlord Balder, tower owner/operator Cellnex, German residential landlord LEG, as well as VIB and VGP in the logistics sector.

On the positive side, Urban & Civic and Entra both contributed positively following bids (the former at a 64% premium to the prevailing share price). In addition, Irish hotel owner/operator Dalata and a new position French residential developer Nexity, which we expected to benefit from vaccine developments, made substantial gains. UK student accommodation provider Unite and office company Helical, as well as a host of continental European office names, also saw positive re-pricing.

We have selectively looked for opportunities to add to stocks/property sectors that we believe are 'cheap but not broken' and which could benefit from improving sentiment as news flow around vaccines and/or treatments becomes more definitive. Names include UK student accommodation providers Unite and Empiric (new position), German commercial landlord Aroundtown, UK/German office landlord CLS, and a new position in French developer Nexity.

We took some profit from outperformers including German residential landlords LEG and Vonovia, Balder and Wihlborgs in Sweden and UK health care landlord Target Healthcare (which we sold outright). We also exited our position in Urban & Civic and trimmed Entra following takeover offers for both businesses. In the logistics sector we took profits from Warehouses de Pauw in Belgium and exited UK landlord LondonMetric following material outperformance. We added two new names in French logistics landlord Argan and Urban Logistics REIT in the UK. Finally, we bought and sold London retail landlord Shaftesbury having taken a position in a placing and having seen in excess of 35% return, given some ongoing near-term challenges.

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Outlook/strategy

Recent news of highly efficient vaccines should provide further confidence in a 'return to normal' scenario in 2021. This has been positive for the listed real estate sector, particularly those parts most damaged by the crisis. However, underlying real estate fundamentals will likely continue to reflect a stark divergence across different sectors in the years ahead, driven by embedded structural changes. It therefore remains important, in our view, to remain selective when investing in the sector from here and understanding that not all parts of the market will return to the same 'normal'.

We remain focused on areas of structural growth where underlying demand from both tenants and investors has in many cases strengthened this year. We have also looked to selectively build exposure in those parts of the market which we see as 'cheap but not broken'; those stocks that have been severely punished by the stock market but which we think could still offer a reasonable path to sustainable growth.

Despite the recent rally, the listed real estate market continues to see many companies trading at wide discounts to asset value. This, in our view, provides an opportunity for longer-term investors to access high quality real estate for well below intrinsic value. In addition, against a backdrop of low interest rates, many parts of the real estate market continue to provide an attractive and growing income stream for investors.

Source: Janus Henderson Investors, as at 31 December 2020

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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	2.5	3.8	3.1	4th
YTD	-3.9	-10.7	-9.6	1st
1 year	-3.9	-10.7	-9.6	1st
3 years (annualised)	7.1	1.7	2.4	1st
5 years (annualised)	6.3	2.3	3.1	1st
10 years (annualised)	11.2	7.7	7.5	1st
Since inception 01 Jul 1998 (annualised)	7.9	7.9	7.0	-

Source: at 31 Dec 2020. © 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
31 Dec 2019 to 31 Dec 2020	-3.9	-10.7	-9.6
31 Dec 2018 to 31 Dec 2019	35.6	28.5	28.5
31 Dec 2017 to 31 Dec 2018	-5.6	-8.4	-7.6
31 Dec 2016 to 31 Dec 2017	19.8	12.5	13.4
31 Dec 2015 to 31 Dec 2016	-7.9	-5.3	-4.4

Source: at 31 Dec 2020. © 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.janus Henderson.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 Vischerstraat 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. [Janus Henderson, Janus, Henderson, Perkins, Intech, VelocityShares, Knowledge Shared, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.