

Janus Henderson Horizon Pan European Smaller Companies Fund

August 2020

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For professional investors only

Fund Managers Names

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Macro backdrop

European small cap markets continued to grind higher through August as economic data continues to point toward a robust recovery. On the negative front we are witnessing a COVID-19 new case resurgence across much of Europe, albeit it with hospitalisation rates and mortality at much reduced levels.

Fund performance and activity

The fund outperformed its index over the month.

In contrast to other stages of the recovery it was predominately the year-to-date laggards which added most to returns. The bulk of the positive contributions came from holdings in the cyclical areas of industrials, financials and consumer discretionary.

Shipping and Ferry operator DFDS announced results showing solid freight volumes and that passenger demand had rebounded beyond its own expectations, aided by the ability to social distance more easily on a ferry compared to a plane. Within our financials holdings Dutch Bank Van Lanschot Kempen announced results showing good cost control and Aareal bank announced the partial sale of Aareon, a subsidiary that focuses on software designed to help landlords manage their property portfolios. The price achieved is higher than many expected with the implied value of Aareon set at €945 million, compared to a total market capitalisation of Aareal Bank of €1.1 billion. We added to our holding.

Detractors included Medios which announced weak results on higher input costs due to shortages of ingredients used in its drugs. We bought more during the month. TKH was also weak as large listed tyre producers have announced a number of cuts to investment. Our analysis shows that demand from smaller operators was robust and we remain owners of the shares.

New purchases include Amadeus Fire, a specialised personnel services provider including temporary staffing, permanent placement, interim and project management as well as education and training. We also bought property company CLS which operates offices across the UK, Germany and France. While this may seem like a strange time to buy an office operator we were attracted by the asset portfolio. Rather than high rise buildings in large city centres its buildings are typically no more than five storeys high, located in accessible greater London or other tier two locations, and often have both car and cycle parking space. The shares have underperformed year-to-date.

We also bought John Wood Group. The company is known as an oil services provider but is increasingly focusing on Europe's energy transition. As an engineering and consulting specialist we think it can manage this transition better than most as each renewable energy project (be it wind, hydrogen or solar) will still require planning, permitting, designing, building, operating and maintaining.

We also bought Hexagon, a supplier of systems for measurement and intelligent design software (Intergraph) with a strong track record. A liquidity event offered the opportunity to build a position in the company and we especially liked its exposure to Emobility and Hydrogen fuel tanks.

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Outlook/strategy

It is clear that the global economy is likely to have its worst year in living memory in 2020. Beyond COVID-19, a bipartisan consensus seems to be building in the US that a trade war with China will continue in some shape or form no matter who wins the US presidential election in November. The trade relationship of the UK with the EU has yet to be settled and could be a further economic shock as the continent begins to recover. COVID-19 may yet come back with a vengeance in the Autumn, although the latest data on hospital admissions is encouraging.

However, the policy environment is as constructive for equities as it has been for some time. Relatively loose monetary policy and expansionary fiscal policy is enormously helpful for the recovery in Europe. Furthermore, while online business models have thrived in lockdown, many have found themselves to be capacity constrained, suggesting a capital expenditure (capex) cycle is required. If the deflationary impact of the Chinese introduction into the global economy abates with US trade action, companies start to invest and European fiscal policy becomes constructive for the first time in over a decade, there is scope for a more inflationary environment. This aligns with the signal we are currently receiving from broad money data.

This may well result in a shift in market vogue from 'growth at any price' to a more value-orientated environment. Overall, we think this should be a favourable situation for smaller companies and even more so for the value end of small cap. While we await further confirmation of a regime change in market leadership, we remain of the view that betting against a return of inflation in 2021 is a dangerous, yet an increasingly consensual view as those stocks labelled 'secular growth' make new valuation highs.

It is also our view that as more time passes, the higher the risk becomes to bet against human ingenuity. So many resources are being thrown at testing, treatment and vaccine development capabilities that we are optimistic that good news on the medical front will prevail. If it is achieved ahead of expectations it is our view that the value/cyclical stocks could likely perform best.

The portfolio is not a value portfolio but it has a healthy mix of what we consider to be attractively valued stocks and strong valuation disciplines around the price paid for growth. We continue to find exciting opportunities in this neglected area of the market.

Source: Janus Henderson Investors, as at 31 August 2020

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Fund information

Index	Euromoney Smaller Companies Pan European Index
Morningstar sector	Europe OE Europe Small-Cap Equity
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the Euromoney Smaller Companies Pan European Index, after the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking
1 month	6.6	5.9	5.6	1st
YTD	-6.6	-8.5	-3.7	3rd
1 year	11.3	5.0	9.7	2nd
3 years (annualised)	0.7	2.2	2.0	3rd
5 years (annualised)	5.6	4.7	5.5	2nd
10 years (annualised)	10.5	9.3	10.5	2nd
Since inception (annualised)	9.4	9.3	9.3	-

Source: at 31 Aug 2020. © 2020 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 Jun 2019 to 30 Jun 2020	-4.0	-4.2	-2.2
30 Jun 2018 to 30 Jun 2019	-6.5	-2.8	-6.0
30 Jun 2017 to 30 Jun 2018	4.2	6.8	6.9
30 Jun 2016 to 30 Jun 2017	37.0	25.4	28.7
30 Jun 2015 to 30 Jun 2016	-7.9	-8.0	-5.3

Source: at 30 Jun 2020. © 2020 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 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. [Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge Shared, Knowledge Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.