

Janus Henderson Horizon European Growth Fund

Q4 2020

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Fund Managers Names

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Macro backdrop

Equities finished 2020 strongly, buoyed by two key events in November. Investor sentiment was first boosted by the US election which resulted in a narrower Democratic win than expected - thereby removing the likelihood of immediate major changes to taxation or health care. Equities were then given a second, more substantial leg-up by the arrival of several vaccines which showed good efficacy against Covid-19. The vaccine news prompted a sharp rotation in equities as the year's previous winners such as staples, growth stocks and, to some extent technology, were sold off in favour of banks, travel, autos and other value plays that had been hit hard by the virus. A further factor encouraging this rotation was the prospect of a major fiscal boost from the new US administration together with the likelihood of central banks continuing to hold down short-term interest rates. Towards the end of the year, equities largely shrugged off the news of new variants of Covid-19 which threatened to increase infection rates.

Fund performance and activity

Although vaccines were good news for the market as a whole, the fund had a difficult quarter. It rose 6.5% but lagged the FTSE World Europe ex UK Index which gained 10.7%. Frustratingly, this underperformance erased our relative gains from the first part of the year. While there were many strong contributors with Metso up 36% and Infineon gaining 30%, these were not enough to offset our underweight positions in banking and energy and lack of holdings in fragile travel and hospitality businesses (which rallied hard on the vaccine news). Apart from positioning, there were a few disappointments with DCC losing ground on slow progress to deploy its balance sheet and STM dropping after a cautious investor seminar. We sold SAP after it cut its medium-term guidance.

In other changes we took profits in a number of positions purchased at the height of the first Covid-19 wave such as Jungheinrich (after the stock almost doubled), Adidas and Sonova. We took partial profits in a number of other positions that had performed strongly such as Infineon, Kone and Merck. New positions included Alcon, Carl Zeiss and Essilor and we bought Daimler based on its turn-round potential. We also added Telenet near an eight-year low (apart from March) and Getlink on the basis that life could only get better from here in its long concession. In order to limit further potential negative impact from sector rotation, we purchased shares in Total and BNP. On a longer-term view we repurchased a holding in MTU, still well below its level at the start of 2020.

Outlook/strategy

Entering 2021 there is optimism about a strong cyclical economic recovery gathering pace through the year, supported by relatively lean inventory levels through many industries and accumulated savings stored up during lockdown. In early January equities have continued the upward path seen in the second half of 2020. The picture looks generally encouraging - although this optimistic view rests on assumptions about the efficacy of Covid-19 vaccines, a smooth roll-out and their ability to cope with new variants. A further question-mark for markets is the potential impact of rising bond yields. This has implications for equities given that lower interest rates in 2020 boosted the value of growth and technology companies. This process partially reversed in November, and this rotation continued in early January. In many senses there are strong deflationary pressures coming from digitisation, such as increased price transparency and efficiency gains, and labour markets, although elsewhere there are upward pressures on prices from raw materials (industrial metals, soft commodities) and disruption to supply chains (freight costs).

In early 2021 the US 10-year bond yield has moved back well above 1%, towards the levels seen before Covid-19. These pressures present major questions for bond investors where higher rates could hurt returns. Equities should offer a relatively better inflationary hedge in our view, especially companies with proven pricing power. But different parts of the equity market would respond differently to different scenarios so we have tried to construct a balanced portfolio that would benefit in part from a cyclical recovery, while also retaining some defensive holdings in case the reopening does not proceed as smoothly as is widely assumed.

Source: Janus Henderson Investors, as at 31 December 2020

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Fund information

Index	FTSE World Europe Ex UK Index
Morningstar sector	Europe OE Europe ex-UK Large-Cap Equity
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the FTSE World Europe ex UK Index, after the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking
1 month	1.2	2.4	2.5	4th
YTD	1.0	2.8	3.6	3rd
1 year	1.0	2.8	3.6	3rd
3 years (annualised)	1.6	5.5	4.8	4th
5 years (annualised)	4.2	6.5	5.5	3rd
10 years (annualised)	-	-	-	-
Since inception 03 Feb 2011 (annualised)	7.3	7.4	7.8	-

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	1.0	2.8	3.6
31 Dec 2018 to 31 Dec 2019	23.4	27.6	27.6
31 Dec 2017 to 31 Dec 2018	-16.0	-10.5	-12.9
31 Dec 2016 to 31 Dec 2017	16.0	13.0	12.6
31 Dec 2015 to 31 Dec 2016	0.9	3.3	0.7

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.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 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 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.