Janus Henderson INVESTORS

# JANUS HENDERSON PAN EUROPEAN HIGH CONVICTION EQUITY UCITS ETF

## At a glance

**Performance***
The Fund returned −4.56%, the Index returned −1.00%.

**Contributors/detractors**
STMicroelectronics, ASML and Nokia detracted from relative performance, while ABN Amro, Erste Group and TotalEnergies contributed.

**Outlook**
Attention has shifted decisively towards the interest rate outlook, with developments in bond markets likely to remain key drivers of asset returns and market leadership in the coming months.

## Portfolio management

**Robert Schramm-Fuchs**

**Marc Schartz, CFA**

## Investment environment

- European equities fell in the third quarter, as pricing pressures, geopolitical tensions and sharp rises in bond yields (falling prices) weighed on investor sentiment.
- Performance was subdued in July, given a sharp reassessment of the artificial intelligence (AI) investment theme, while an upsurge in fighting between the US and Iran pushed energy prices higher.
- Robust corporate earnings, strong performance from semiconductor and AI-related infrastructure stocks, and economic optimism spurred a rally in August. However, equities reversed course in September.
- The European Central Bank (ECB) continued to suggest that it could raise its key deposit rate, which it did in the final month of the quarter, and signalled that further monetary policy tightening may be needed.
- Economic data was largely positive. Eurozone GDP expanded by 0.6% over the second quarter, up from no growth in the first quarter. The composite Purchasing Managers' Index (PMI) hit a three-and-a-half-year high in September, suggesting an improved outlook despite the uncertainty caused by the US/Iran conflict.
- However, eurozone annual inflation accelerated from 2.8% in June to 3.2% in August. This was largely due to higher energy prices.

## Portfolio review

It was a challenging quarter for the fund, with the relative underperformance concentrated in July, when holdings exposed to the theme of AI enablement came under significant pressure. We had already begun moderating positions in certain areas of this allocation in June, but the portfolio retained a sizeable position, and the sharp reversal in these stocks consequently weighed on returns. While periods of severe counter-momentum shifts are not seasonally unusual, the scale and speed of the move were significantly greater than we would typically expect.

The July weakness impacted a number of our AI-related holdings, including STMicroelectronics, ASML, Nokia, Prysmian and Siemens Energy.

More positively, a number of our banking holdings, including Dutch lender ABN Amro, Spanish-listed BBVA and Austrian bank Erste Group, were among the top performers. The sector benefited from resilient earnings trends and expectations of higher-for-longer interest rates, while ABN Amro's shares were also supported by positive sentiment towards its restructuring efforts.

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**Past performance does not predict future returns.**
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*For benchmark and sector, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

Elsewhere, measurement technology group Hexagon contributed after delivering a strong set of results. We continue to see value in the company's core business, supported by a robust product pipeline, an experienced management team, and longer-term optionality from its industrial AI and humanoid robotics initiatives.

Oil and gas company TotalEnergies was another notable outperformer. Oil prices rose sharply in the quarter due to ongoing supply disruptions linked to the unresolved US/Iran conflict.

In terms of activity, we focused on rebalancing our AI positions in response to shifting market dynamics. Price action over the summer in the AI universe, particularly among semiconductor companies, suggested to us that the sector could be entering a phase of slower growth, with a potential rollover in memory pricing adding to near-term risks. At the same time, increasing circularity across the AI value chain and higher bond yields pointed to a less supportive market backdrop. Taken together, these factors support a more balanced portfolio stance.

We used the rebound in semiconductor-related stocks in late July and August to reduce our position in this area, for example by exiting the holding in STMicroelectronics. We also took profits in other holdings in the broader AI ecosystem, exiting our positions in Siemens Energy and Linde, where we felt valuations had become less compelling.

On the other side, we added positions in selected stocks perceived as “AI losers”, where weaker share price performance has improved the risk/return profiles. These included Italian IT services firm Reply and French advertising firm Publicis. We also initiated a position in Merck, a German conglomerate operating across life sciences, pharmaceuticals and electronics. The earnings outlook appears to be improving after several years of downgrades. A key driver is the normalisation of its life sciences business following a post-Covid inventory unwind, which may enable the company to return to its previous compounding trajectory.

## Manager outlook

The situation in the Middle East remains fluid, with intermittent signs of diplomatic progress between the US and Iran continuing to alternate with renewed outbreaks of hostilities. This prolonged period of uncertainty has meant expectations for higher inflation have remained elevated. It has also contributed to the recent rise in global long-term bond yields to multi-year highs. As a result, investor attention has shifted towards the interest rate outlook, with developments in bond markets likely to remain a key driver of both asset returns and market leadership through the remainder of the year.

Another important debate centres on the durability of the AI-driven investment theme that has dominated equity markets for much of the past two years. While companies exposed to semiconductors and AI infrastructure have continued to deliver strong growth and earnings momentum, history suggests that sharp reversals in share-price leadership can precede a moderation in underlying expectations for growth. Against this backdrop, we have adopted a balanced stance towards the AI theme. At the same time, we retain overweight positions in sectors that tend to be sensitive to yields, such as financials and energy.

In Europe, the economic backdrop has continued to improve gradually since the start of the year. Leading indicators have shown increasing signs of stabilisation, most notably in Germany, where the manufacturing PMI returned to expansionary territory for the first time in over three years in January and gradually strengthened thereafter towards a multi-year high. This improvement has been reinforced by a broadly supportive second-quarter earnings season.

In managing the portfolio, we remain focused on bottom-up stock selection, maintaining balanced exposure across cyclical and typically more defensive businesses. We also aim to selectively position the portfolio to potentially benefit from both Europe's global champions and areas offering leverage to an improving domestic economic backdrop.

## Performance (%)

| Returns | Cumulative | | | | Annualised | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since inception (13/11/24) |
| EUR Acc (Net) | -2.66 | -4.56 | 4.50 | 11.50 | — | — | — | 17.02 |
| Index | -2.40 | -1.00 | 9.64 | 16.49 | — | — | — | 16.23 |

| 12 month rolling | Sep 2025-Sep 2026 | Sep 2024-Sep 2025 | Sep 2023-Sep 2024 | Sep 2022-Sep 2023 | Sep 2021-Sep 2022 |
|---|---|---|---|---|---|
| EUR Acc (Net) | 11.50 | — | — | — | — |
| Index | 16.49 | — | — | — | — |

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Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors.

Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at www.janushenderson.com.

Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations.

## Investment objective

The Fund aims to provide capital growth over the long term by investing in a concentrated, actively managed portfolio of equity securities issued by European companies.

For the fund's investment policy, refer to the Additional fund information on page 4.
**Past performance does not predict future returns.**

## Fund details

| | |
|---|---|
| **Inception date** | 13 November 2024 |
| **Total net assets** | 65.93m |
| **Asset class** | Equities |
| **Domicile** | Ireland |
| **Structure** | SICAV UCITS |
| **Investment Manager** | Janus Henderson Investors UK Limited |
| **Base currency** | EUR |
| **Index** | MSCI Europe Index℠ |
| **SFDR category** | Article 8 |
| **NAV Price** | 13.455 |

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

# Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID; fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID, which must be reviewed before investing. Please consult your local sales representative and/or financial adviser if you have any queries. This is an Irish collective asset-management vehicle regulated by the Central Bank of Ireland. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

## Investment policy

Under normal circumstances, the Fund will invest at least 90% of its assets in equity securities or depositary receipts issued by European companies. The Fund may invest in companies of any size in any industry. The Fund will typically have 20 - 30 holdings and is not expected to have fewer than 20 holdings. The Fund may also hold cash. Derivatives may be used for the purposes of hedging/risk reduction. The Fund will use forward FX contracts to hedge currency risk where it offers Hedged Share Classes.

## Investment strategy

The Fund is actively managed. The Index Benchmark, MSCI Europe, which broadly represents the companies in which the Fund may invest, is used for performance comparison purposes only. The Investment Manager has discretion to choose investments for the Fund from the Index Benchmark with weightings different to the Index Benchmark or not in the Index Benchmark. The Investment Manager will seek to promote environmental, social and/or governance (ESG) principles in managing the Fund, which may include the exclusion of issuers that the Investment Manager considers could contribute to significant ESG harm, as further described in the supplement. Please refer to the annex to the Fund's Supplement for the precontractual disclosures.

## Fund specific risks

Shares can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result. Active management techniques that have worked well in normal market conditions could prove ineffective or negative for performance at other times. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. When a portfolio is concentrated (has a significant portion of its assets invested in a limited number of holdings), an adverse event impacting even a small number of holdings could create significant volatility or losses. Derivatives may be used with the aim of reducing risk or managing the portfolio more efficiently. However, this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations. Securities could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses. Losses could be incurred if a counterparty became unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

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