

PAN EUROPEAN FUND

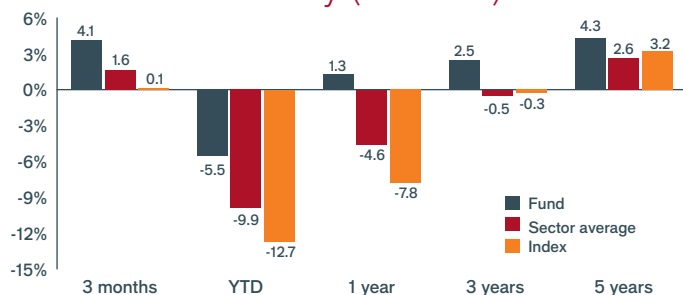
Quarterly review

For promotional purposes | For professional investors only

A large cap core Pan European equities fund designed to:

- **Deliver long-term growth:** uses a high-conviction blend of large and mega cap holdings (to capture sector themes) and under-researched mid-cap stocks (tactical opportunities).
- **Deviate from the benchmark weightings:** unconstrained investment process with no benchmark limitations and the flexibility to seek out alpha across Europe*.
- **Correctly anticipate change:** competitive advantage comes from early insight into macroeconomic and industry trends.

Performance summary (Q3 2020)



Source: Janus Henderson, Morningstar, as at 30 September 2020. Basis: Bid pricing, gross income reinvested, I€ Acc share class, net of fees, cumulative return annualised after one year, in euro terms. Index: MSCI Europe (ex UK) NR. Sector: GIF OS Europe Large Cap Blend.

Performance %

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	Fund	8.90	5.58	2.85	-1.10	2.94	-4.18	3.75	-7.79	-3.12	6.05	3.83	-3.83	13.21
	Sector	7.37	6.46	2.14	-0.02	2.13	-4.29	3.52	-7.64	-3.80	7.52	2.82	-4.23	8.74
	Index	7.24	6.93	1.76	0.12	1.59	-4.59	4.00	-8.41	-4.29	8.29	2.68	-5.28	8.74
2016	Fund	-6.19	-3.17	0.86	1.20	2.63	-3.77	2.46	0.60	-0.17	-1.91	2.45	5.60	-0.01
	Sector	-6.63	-2.05	1.65	1.27	2.66	-5.44	3.68	0.81	-0.34	-1.13	0.83	5.12	2.58
	Index	-6.22	-2.20	1.33	1.92	2.28	-4.25	3.51	0.70	-0.03	-0.82	1.09	5.84	2.58
2017	Fund	0.25	1.60	3.68	2.34	0.76	-2.14	-1.01	-1.06	3.89	1.34	-2.72	0.80	7.74
	Sector	-0.16	2.53	3.22	2.26	1.47	-2.45	-0.27	-0.92	3.61	1.94	-2.02	0.63	10.24
	Index	-0.37	2.92	3.34	1.69	1.53	-2.48	-0.37	-0.78	3.89	1.96	-2.08	0.79	10.24
2018	Fund	2.41	-3.92	-1.84	3.47	1.21	-0.38	2.65	-1.43	0.09	-6.77	-1.29	-5.95	-11.69
	Sector	1.70	-3.53	-2.17	4.11	0.61	-1.07	2.55	-1.60	-0.08	-6.26	-1.29	-5.93	-10.57
	Index	1.60	-3.86	-2.02	4.61	0.11	-0.69	3.11	-2.25	0.53	-5.31	-0.86	-5.53	-10.57
2019	Fund	6.33	4.41	1.75	4.24	-4.31	4.69	1.10	-1.29	2.80	1.54	2.86	2.64	29.76
	Sector	6.20	3.81	1.83	3.61	-4.70	4.09	0.29	-1.44	3.14	1.02	2.82	1.92	26.05
	Index	6.19	4.15	2.03	3.77	-4.94	4.43	0.30	-1.44	3.76	0.86	2.70	2.06	26.05
2020	Fund	-2.02	-7.74	-13.97	8.53	4.00	3.44	-0.59	4.50	0.16				-5.53
	Sector	-1.08	-7.70	-14.84	7.26	3.44	2.84	-0.21	3.08	-1.25				-9.86
	Index	-1.26	-8.47	-14.35	6.12	2.95	3.07	-1.37	2.94	-1.41				-12.75

Source: Janus Henderson, Morningstar, as at 30 September 2020. Basis: Bid pricing, gross income reinvested, I€ Acc share class, net of fees, individual monthly returns and annual/year-to-date return, in euro terms. Index: MSCI Europe NR.

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.

Key fund characteristics

Sector	Europe OE Europe Large-Cap Blend Equity
Index	MSCI Europe NR Index
Launch date	29 September 2000
Fund size	€621m
Number of stocks [^]	50-60
Fund management	John Bennett and Tom O'Hara ^{**}

Source: Janus Henderson Investors, at 30 September 2020

Fund return (Q320)	4.1%
Sector average (Q320)	1.6%
Index (Q320)	0.1%

Source: Janus Henderson, Morningstar, as at 30 September 2020. Basis: Bid pricing, gross income reinvested, I€ Acc share class, net of fees, cumulative return annualised after one year, in euro terms. Index: MSCI Europe NR. Sector: GIF OS Europe Large Cap Blend.

* The fund must invest at least two-thirds of its assets in companies listed in Europe, or with a significant proportion of their operations in the region.

[^] Illustrative figure, subject to change.

^{**}Please note that as of 31 January 2020 Tom O'Hara became co-manager of this fund.

Performance analysis over the quarter

Stock level analysis (relative to the index)

Key contributors	Country	Total effect (%)
Dometic	United Kingdom	0.7
KION	Germany	0.6
Kingfisher	United Kingdom	0.5
Nokian Tyres	Finland	0.4
Royal Dutch Shell	United Kingdom	0.4
Key detractors	Country	Total effect (%)
KBC	Belgium	-0.2
Grifols	Spain	-0.2
Siemens	Germany	-0.1
Intesa Sanpaolo	Italy	-0.1
Vestas Wind Systems	Denmark	-0.1

Source: Factset/Janus Henderson Investors, at 30 September 2020

Sector contributions relative to the index



Source: Janus Henderson, Morningstar, as at 30 September 2020

Portfolio activity through the quarter

Key buys	% of fund
Saint Gobain	2.9
Daimler	2.1
Peugeot	1.9

Key sales

UniCredit	-
Banco Santander	-
Epiroc	-

Source: Factset/Janus Henderson, as at 30 September 2020.

Drivers

Demand for recreational vehicles rose as the trend towards staycations increased in a COVID environment

Benefited from notable strong order intake in its automation services business

Benefitted from the COVID-19 induced 'do-it-yourself' boom both online and in stores

Continued to climb after reporting smaller than expected losses in Q2

Not holding Royal Dutch Shell was positive for performance relative to the benchmark

Drivers

The bank was fined €18.3 million for its role in a mortgage tracker controversy in Ireland

Continued to perform poorly into the third quarter

Not holding Siemens detracted relative to the benchmark

Continued to perform poorly in the current environment

Not holding Vestas Wind Systems detracted relative to the benchmark

Drivers

The fund's large overweight to materials and underweight to energy added significantly to performance

Strong stock selection in industrials contributed to performance over the quarter

Drivers

Offers good exposure to building refurbishment driven by energy efficiency policies

We increased exposure to auto manufacturers to benefit from resilient demand and low inventory levels. These holdings complement long-standing holdings in components companies Autoliv and Nokian Renkaat

Drivers

Stubbornly flat yield curves caused us to look elsewhere for our cyclical exposure

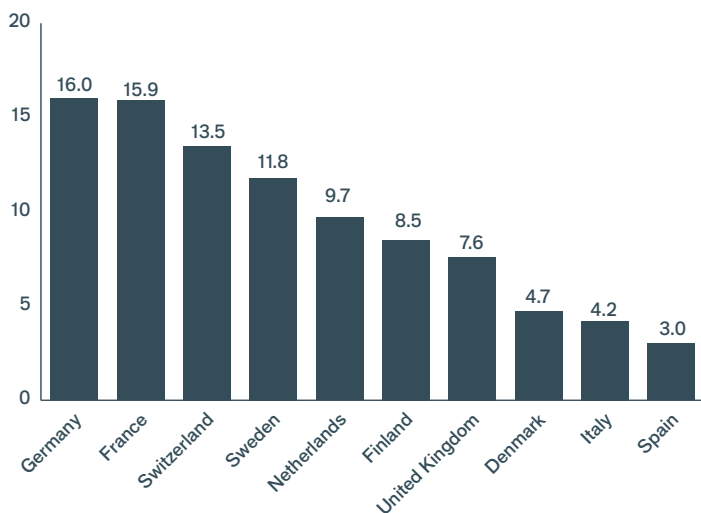
We took profit from Epiroc and sold the position

Portfolio analysis

Market cap distribution (%)	Fund	Index
>€50bn	28.2	35.2
€20bn-50bn	19.4	28.2
€10bn-20bn	25.5	17.1
€5bn-10bn	11.5	14.2
<€5bn	14.1	5.4
Cash	1.2	0.0

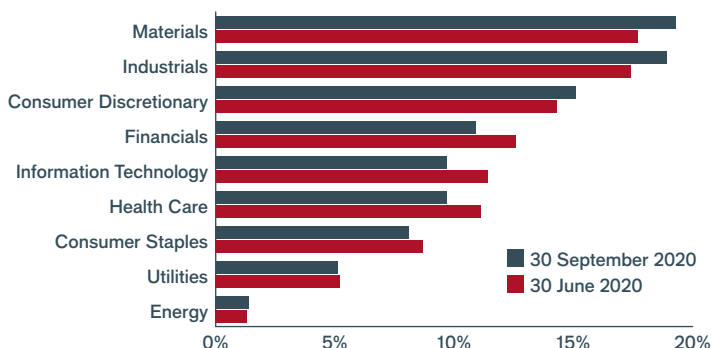
Janus Henderson/Factset, at 30 September 2020. Index: MSCI Europe.

Country allocation: Top 10



Source: Factset/Janus Henderson, as at 30 September 2020.

Change in positioning: sector allocation top 10



Source: Factset/Janus Henderson, as at 30 June 2020.

Portfolio metrics

Risk analysis	Fund	MSCI Europe Index
Value		
Historic Price/Book	1.9x	1.9x
EV/EBIT (historic)	15.2x	18.5x
Growth		
1 year forecast earnings growth	18.2%	18.7%
1 year forecast sales growth	3.6%	4.2%
Quality		
Historic return on equity	15.5%	16.6%
Dividend cover	2.4x	2.1x
Net Debt/EBITDA	1.0x	1.5x

Source: Janus Henderson, as at 30 September 2020.

Risk analysis	
Alpha	2.2%
Beta	1.0%
Information Ratio	0.8%
R Squared	0.0%
Sharpe Ratio	0.1%
Tracking Error	2.8%
Volatility	15.5%

Source: Janus Henderson/Morningstar, ex-post, three years to 30 September 2020 based on monthly returns. For definitions please refer to glossary details on the back page.

Top 5 stocks by weighting

Name	% of fund	% active weight	Sector
LafargeHolcim	5.1	4.8	Materials
UPM-Kymmene	4.6	4.4	Materials
Nestlé	4.0	-0.1	Consumer Staples
ASML	3.1	1.3	Information Technology
Saint Gobain	2.9	2.7	Industrials

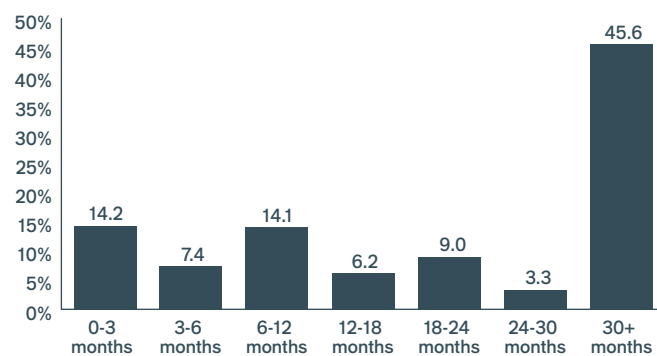
Source: Janus Henderson, Morningstar, as at 30 September 2020. Active weight indicates exposure relative to the MSCI Europe Index.

Activity

Our move in recent months to a more cyclically-sensitive portfolio has been reinforced with increased exposure to the building materials, chemicals and the autos sector. This is evidenced in the small increase in Industrials.

We have reduced our exposure to Financials, selling some banks, and have maintained a small exposure to Energy.

Current holding period (% of fund)



Source: Factset/Janus Henderson, as at 30 September 2020.

Note: The chart shows the holding period of current positions.

Market overview

Our recent reports have pointed to what we see as a two-speed economic recovery, noting the dichotomy in fortunes between the industrial and services sectors. Indeed, this is noticeable when we compare the sharp recovery of industrial Germany with that of services-based Spain and the UK. The industrial rebound is far from over in our opinion. We have a situation where end demand is meeting the dry tinder of low inventories to create an earnings conflagration and cash flow surge.

We continue to believe that most sell-side analysts are behind the curve and will scramble to upgrade their estimates for many European industrials. Joining this happy situation is the auto sector, where again end demand is rebounding amid cleared dealer inventories.

Key holdings

Structural winners	Idiosyncratic value
Atlas Copco	A.S.R Insurance
ASML	AkzoNobel
Deutsche Borse	Arkema
Grifols	Autoliv
Kone	KION Group
legrand	Nokian Renkaat
STMicroelectronics	Rheinmetall
Schneider Electric	Sandvik
	Sanofi
	SBM Offshore
	UPM-Kymmene
	Volvo
	Lafarge Holcim

Source: Janus Henderson Investors, at 30 September 2020.

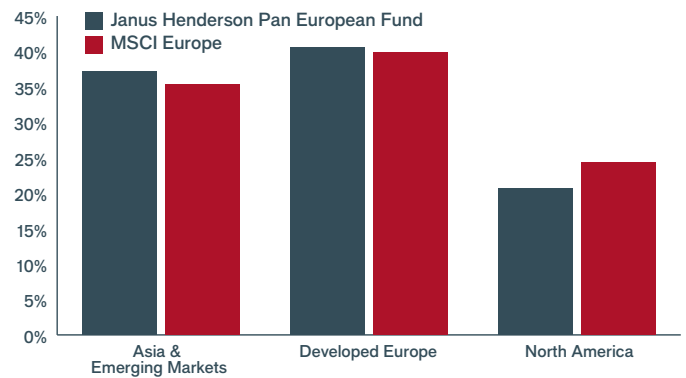
Performance overview

The fund rose 3.91% in the quarter, compared to the MSCI Europe benchmark, which returned 0.10%.

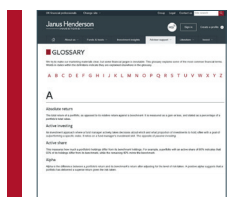
Outlook

At the time of writing politicians are defaulting to lockdowns as their primary weapon of choice against this pandemic. It is hard not to believe that this dubious strategy owes itself to the echo chamber within which politicians, pollsters and the mainstream media feed off one another. It is to be hoped that this policy response is not so durable as to derail what is a clear V shaped recovery, notably in the industrial and automotive sectors. It is against this backdrop that we will continue to drive a stock specific strategy, while remaining as pragmatic as ever.

International exposure – revenue breakdown



Source: Janus Henderson Investors, at 30 September 2020
Note: Totals may not add up to 100 due to rounding.



Glossary

Please see [HGI.co/glossary](https://www.hgi.co/glossary) for a glossary of financial terms used in this document.

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