

Janus Henderson Pan European Smaller Companies Fund

October 2019

For promotional purposes
For professional investors only

Fund manager names: Ollie Beckett & Rory Stokes

Overview

Headline economic growth remains poor but upwards-inflecting lead indicators combined with a continued truce in the trade war to lift markets. Inflecting data includes US, Chinese and eurozone manufacturing purchasing managers' index (PMI) new orders as well as positive signals from money supply. This view was also supported by a solid, if unspectacular, earnings season by the more cyclical areas of the market. This has resulted in value outperforming growth for the first time in many months and cyclical/recovery/restructuring stocks garnering greater attention rather than purely growth stocks with earnings momentum. A number of UK stocks exposed to the domestic economy also performed well as there is a growing feeling that we are reaching a point with Brexit where we will get some further clarity, although it is our view that Brexit will likely dominate the UK political agenda for many years to come.

Performance and activity

Given this back drop it was unsurprising to see a number of cyclical, low-valued stocks that posted reasonable results top our biggest contributors. These included Kindred (online gambling), Anima (an Italian asset manager that has returned to net inflows) and Caverion (a Nordic facilities management company which is doing well to move away from larger, low margin projects).

The main negative came from Embracer, a high growth gaming company that was downgraded by a sell side analyst on valuation grounds. We continue to like the shares as its games pipeline looks good and unlike other companies in this area it is not dependent on one gaming franchise. Another detractor was mining machinery company FLSmidth as activity in greenfield mining activity remains at very low levels.

Activity was limited over the month. We bought a new position in Softwareone, an IT consultant which is the number one Microsoft reseller in the world. We trimmed our holding in Capita following a strong run for the shares and we exited our position in Marel entirely. Marel is a high quality food processing equipment company but we believe it is a good time to take profit as the valuation now trades at high levels and we have a few question marks over the order back log at the company.

Outlook

We continue to seek the best value European smaller companies.

Source: Janus Henderson Investors, as at 31 October 2019

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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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