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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.

Janus Henderson European Selected Opportunities Fund

January 2020

John Bennett

Director of European Equities



KNOWLEDGE.
SHARED

Things on our minds



Things on our minds

MICRO NEGATIVES

- Companies in run-off
- Industries in run-off

OUTCOME

EUROPE'S PAST WINNERS – MAJOR PARTS OF THE INDEX

Things on our minds

MICRO POSITIVES

Europe's future winners

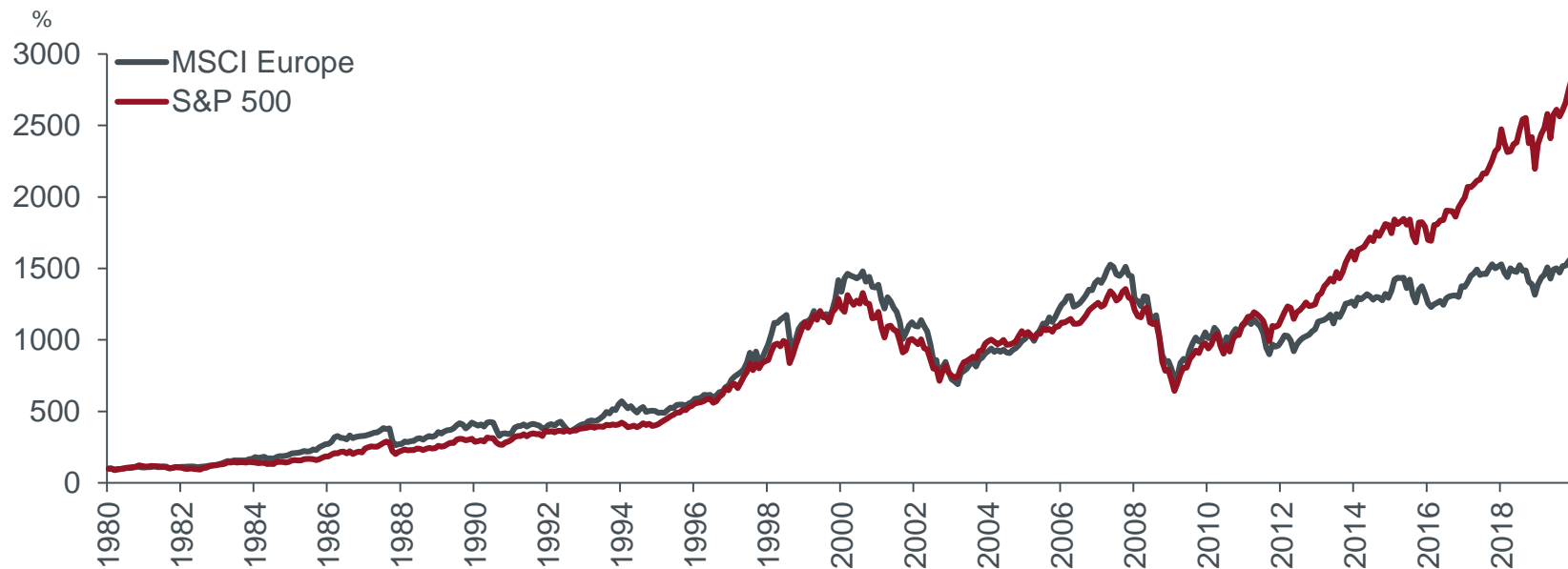
Outcome: Global leaders at depressed prices
 Corporate restructuring

Implications for our portfolios: State of Europe
 State of active management

OUTCOME

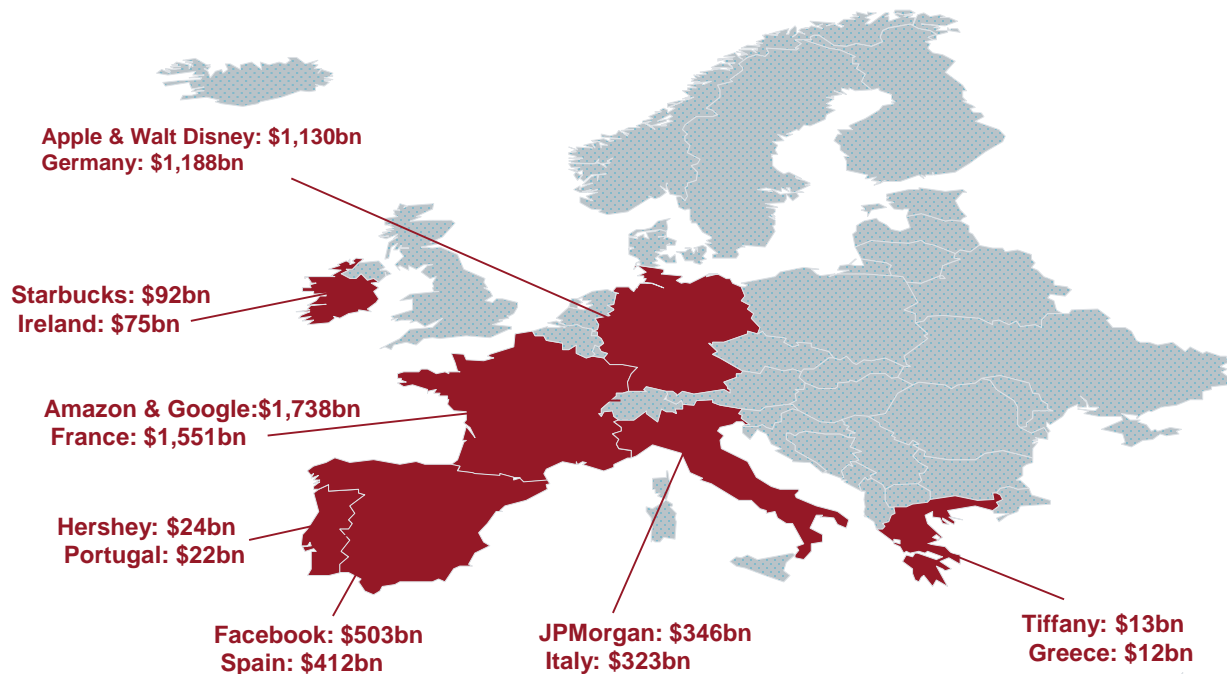
IDIOSYNCRATIC, STOCK SPECIFIC, TRUE ACTIVE

European and US equities have decoupled since 2011



Source: Datastream, Barclays Research, as at 31 December 2019
Rebased to 100 at January 1980

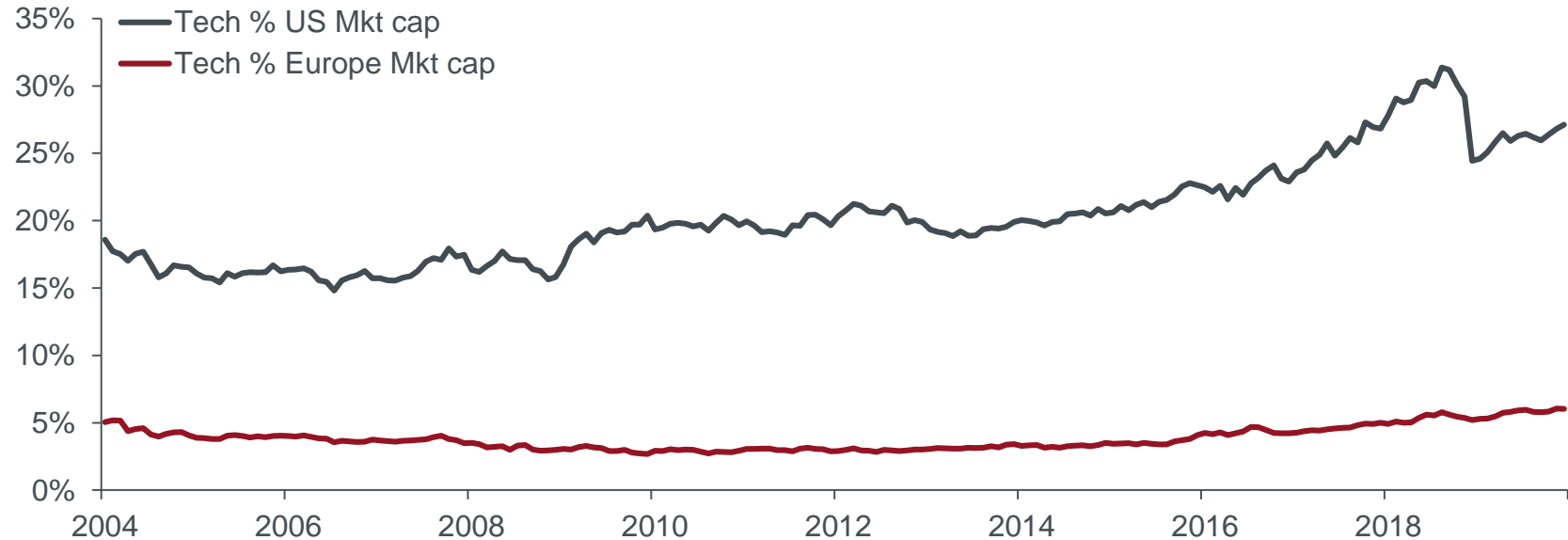
Hubris and humiliation



Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg, Datastream. Chart shows market cap of MSCI equity indices vs US stocks in US\$, as at 4 April 2019. References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase the security. The above should not be misconstrued as advice. Janus Henderson makes no representation as to whether any illustration/example mentioned is now or was ever held in any portfolio. Illustrations are only for the limited purpose of analyzing general market or economic conditions and demonstrating the research process. References to specific securities should not be construed as recommendations to buy, sell or hold any security, or as an indication of holdings.

Tech is 27% of US market cap ... but only 6% of Europe

Are all “disruptors” winners?

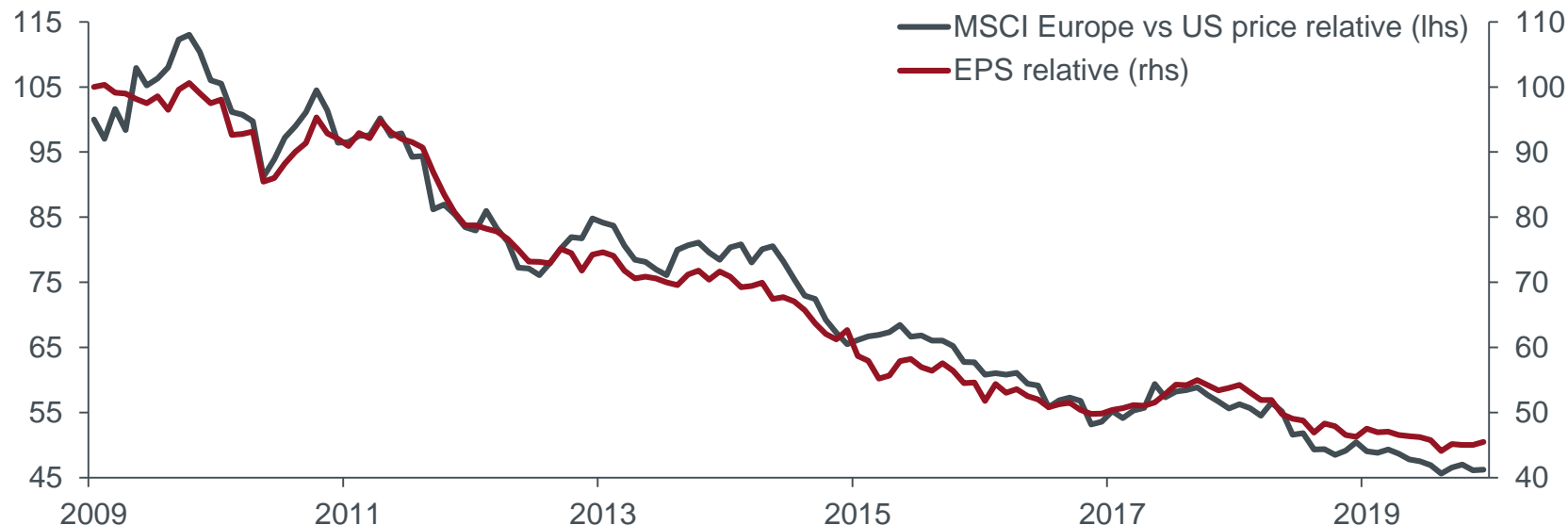


Source: Datastream, Barclays Research, as at 31 December 2019

Note: Indices used: MSCI Europe Tech as % of MSCI Europe market cap and S&P 500 Tech as % of S&P 500 market cap

Europe's underperformance “justified” by weaker earnings

Are all “disruptees” losers?



Source: Datastream, Barclays Research, as at 20 December 2019

ON THAT
EVIDENCE WHO
WANTS THE
INDEX?



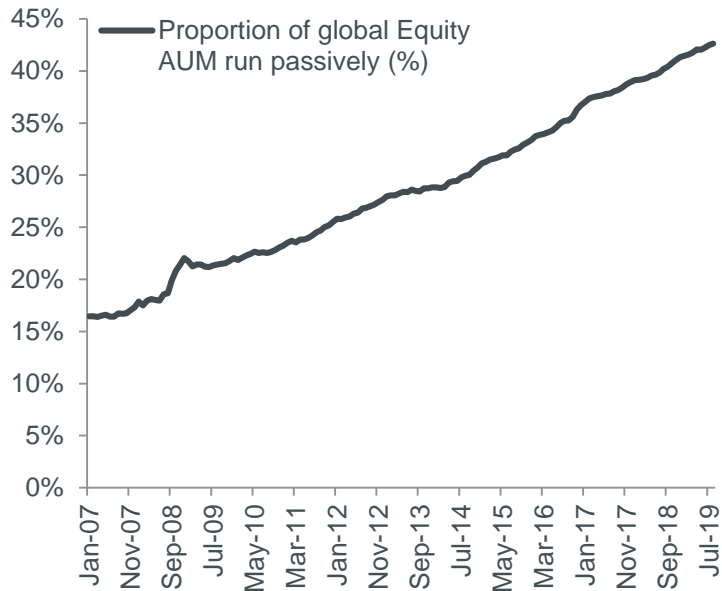
“WE DO!!”

(But who are “we”?)



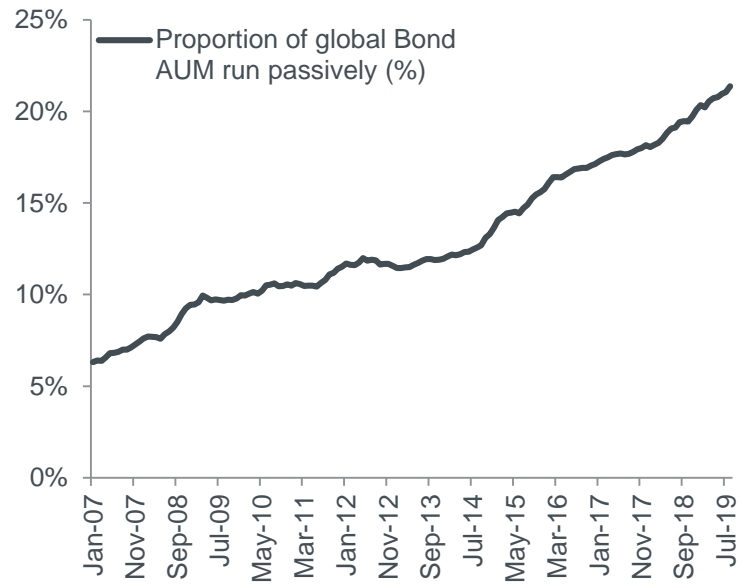
DISRUPTION

Passive taking share in equities...



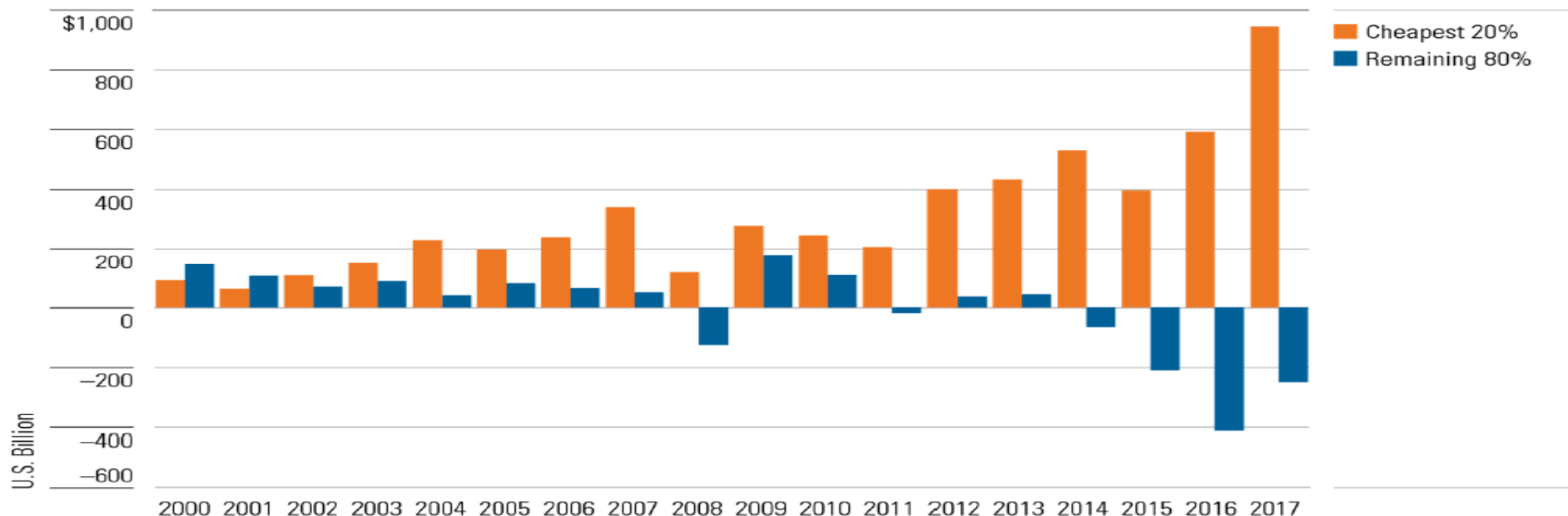
Source: Janus Henderson Investors, Morningstar, as at 31 August 2019

...and bonds



DISSENT

Net flows into the cheapest 20% of funds have dwarfed all others



Source: Janus Henderson Investors, Morningstar, as at 31 December 2017

Note: **Morningstar Fee Level** – Broad compares the net expense ratio from the most recent prospectus of an exchange-traded fund (ETF) or mutual fund share class relative to other open-end funds and share classes in the same category. Expense ratios are ranked against peers using five quintiles: the 20% with the lowest expense ratio are designated Low, the next 20% Below Average, the next 20% Average, the next 20% Above Average and the 20% with the highest expense ratio are designated High. The Morningstar Fee Level can be a useful tool for putting a fund's fees into context, but alone is not a sufficient basis for investment decisions.

Passive in Public, Active in Private

“The defining shift in allocation by asset owners over the last five years has been the passivization (sic) of investment in public markets and the rotation to expressing active risk in private markets instead”.

Source: Bernstein, The next 10 years of Investing, as at May 2019

Passive in Public, Active in Private

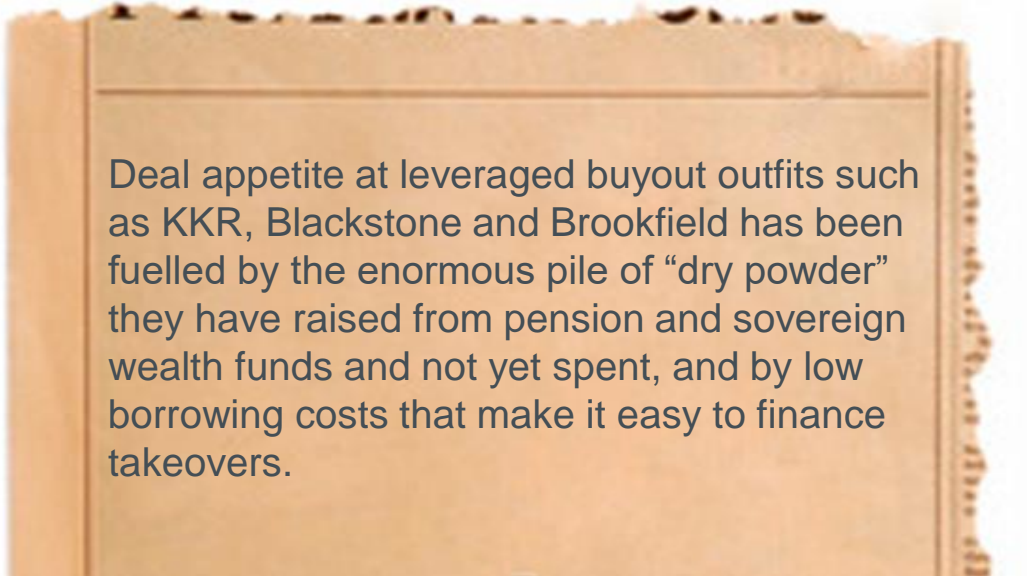
- “We suspect that some of the allocation to alternatives is an implicit attempt by asset owners to overcome internal agency problems”
- “If an investment is deemed alternative, it can be easier to set long term time horizons for assessing it and different criteria for determining what returns to expect”
- “The alternative versus non-alternative distinction between asset managers is ultimately fake and we think will go away”

• **“Confusing lagged prices in private equity with diversification is a fatal flaw”**

Source: Bernstein, The next 10 years of Investing, as at May 2019

Full circle irony?

Buyout groups hold \$2.5tn in cash

A piece of torn, aged, light brown paper with a ragged top edge and a small hole on the right side. The paper is set against a white background. Centered on the paper is a paragraph of text in a dark, sans-serif font.

Deal appetite at leveraged buyout outfits such as KKR, Blackstone and Brookfield has been fuelled by the enormous pile of “dry powder” they have raised from pension and sovereign wealth funds and not yet spent, and by low borrowing costs that make it easy to finance takeovers.

Source: Financial Times, By Javier Espinoza and Eric Platt, Companies and Markets, Financial Times, as at 28 June 2019. Used under licence from the Financial Times
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Our 2020 Vision

At the end of this new decade

REGRETS

Private Equity

“Alternatives”

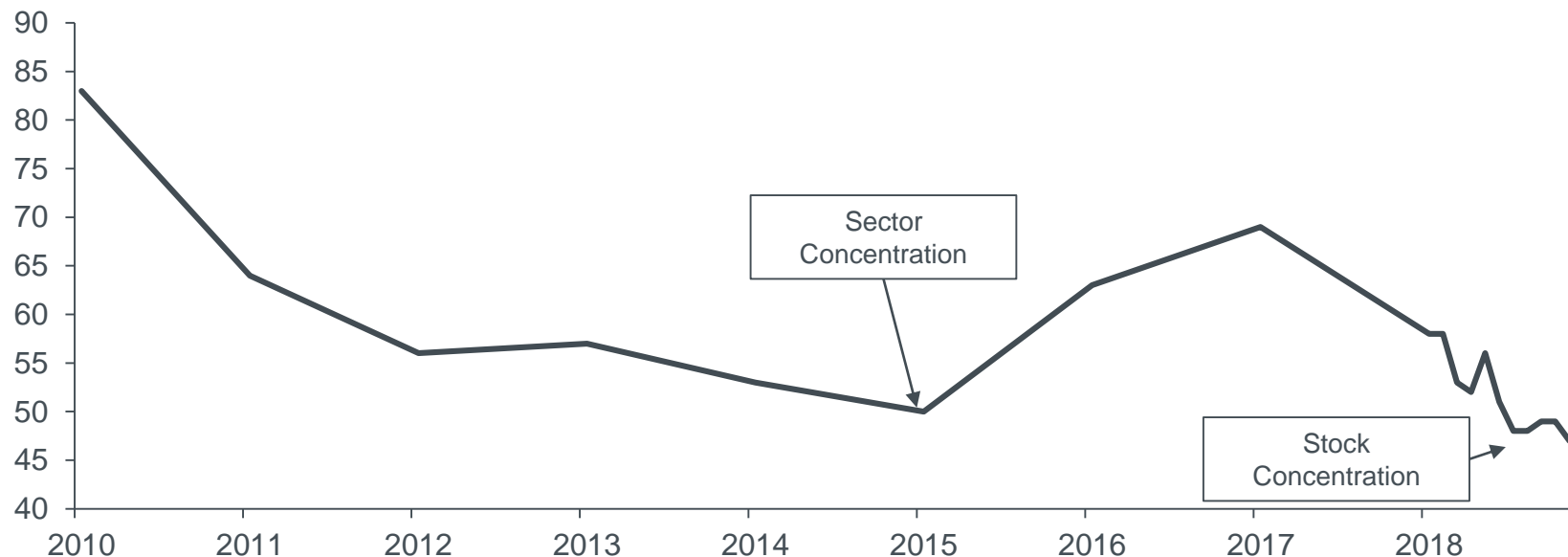
Babies out with bathwater



CONFOUNDING THE CONSENSUS:

Active specialists in European Equities (plus ça change!)

Number of stocks



Source: Janus Henderson Investors, as at 31 December 2019

Structural winners



GRIFOLS



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Idiosyncratic Value



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Janus Henderson European Selected Opportunities Fund



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Key characteristics

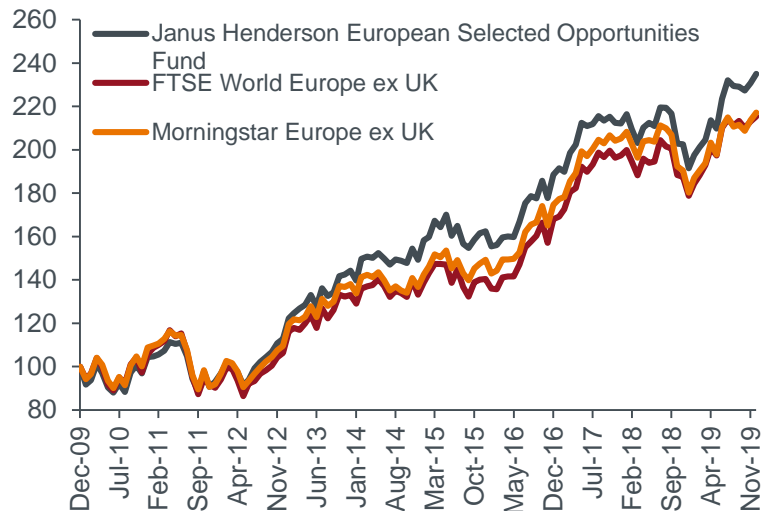
Janus Henderson European Selected Opportunities Fund

Inception date:	September 1984
Managed since:	February 2010
Fund size:	£1.9bn
No. of holdings:	40-50
Position size:	1-4%
Maximum position size:	10%
Portfolio construction:	Blends sector themes with stock specifics
Morningstar Analyst Rating:	Bronze

Source: Janus Henderson Investors, as at 31 December 2019

Performance

10 year performance (%)



	Performance*				
	1y %	3y %	5y %	7y %	10y %
Fund	22.8	24.7	57.5	108.2	137.0
Index	20.4	28.2	61.6	102.6	115.3
Sector average	20.5	24.3	58.9	98.2	117.1
Quartile ranking	2	2	2	2	1
Percentile ranking	28	44	50	26	23

Source: Janus Henderson Investors, FactSet, as at 31 December 2019

Basis: Bid pricing, net income reinvested, 1 Acc share class, net of fees, in sterling.

The Fund performance is based on midday valuation. Index performance is based on close of business valuation. Sector Average performance is based on valuation point of underlying funds in universe.

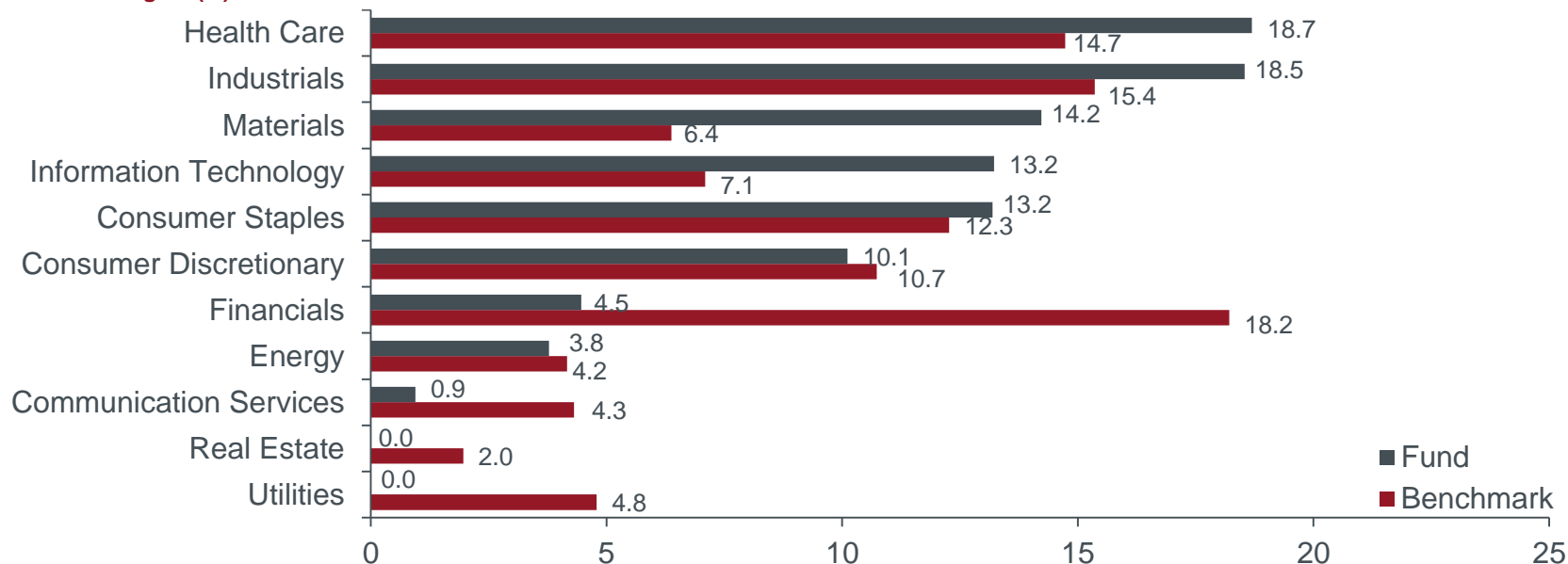
Index: FTSE World Europe ex UK Index (Total Return), usage: comparator. Peer group benchmark: Morningstar Europe ex UK Sector Average, usage: comparator

Notes: * For a full description of the peer group benchmark and index usage please refer to slide 31.

Past performance is not a guide to future performance

Sector allocation

Portfolio weights (%)



Source: Janus Henderson Investors, as at 31 December 2019
 Representative of Global Industry Classification Standard sector breakdown, excludes cash & unassigned
 Benchmark shown is FTSE World Europe ex UK

Top 10 holdings

Stock name	Fund weight %	Benchmark weight%	Relative %
LafargeHolcim	7.88	0.39	7.49
Nestlé	4.45	4.37	0.07
STMicroelectronics	4.22	0.24	3.99
SAP	3.82	1.83	2.00
UPM-Kymmene	3.82	0.26	3.56
ASML	3.81	1.65	2.16
Autoliv	3.40	0.00	3.40
Roche	3.00	3.27	-0.27
Carlsberg	2.83	0.22	2.61
Novartis	2.75	2.79	-0.05
Total	39.99		

Source: Janus Henderson Investors, FactSet, as at 31 December 2019

Index: FTSE World Europe ex UK. Excludes Cash & Unassigned

Note: Reference to individual companies or any securities is purely for the purpose of information only and should not be construed as a recommendation to buy or sell the same

Valuation snapshot

	Fund	FTSE World Europe ex UK
Value		
FY1 P/E (future)	17.6x	15.0x
Historic yield	2.7%	3.2%
Historic Price/Book	2.9x	1.9x
EV/EBIT (historic)*	13.4x	14.9x
Growth		
1 year forecast earnings growth	12.0%	12.1%
1 year forecast sales growth	4.3%	4.6%

	Fund	FTSE World Europe ex UK
Quality		
Historic return on equity	18.7%	15.9%
Dividend cover*	1.9x	1.9x
Net Debt/EBITDA*	1.0x	1.4x
Risk		
Tracking error	3.4%	-
Beta	1.1	1.0
No. of Stocks	46	497

Source: Janus Henderson Investors as at 31 December 2019

Note: Historic PB is based on current (as at report date) price and last fully reported book value sourced from Factset. Historic return on equity is based on the last fully reported Net Income and Total Common Shareholders' Equity, sourced from Factset. Tracking error and beta are reported ex-ante based on a portfolio snapshot at month end.

1 year sector attribution

Sector	Portfolio average weight %	Index average weight %	Active position %	Total return (Portfolio) %	Total effect %
Information Technology	10.44	6.67	3.77	52.65	2.20
Materials	12.13	6.40	5.73	29.41	1.18
Consumer Staples	15.04	12.91	2.13	25.84	1.06
Financials	6.75	18.43	-11.68	22.15	0.69
Communication Services	1.26	4.70	-3.44	-13.75	0.43
Real Estate	--	1.92	-1.92	--	0.09
Energy	5.20	4.85	0.35	7.24	0.06
Utilities	0.29	4.57	-4.28	6.99	-0.05
Health Care	18.35	14.30	4.04	23.59	-0.14
Consumer Discretionary	8.77	10.36	-1.59	21.51	-0.39
Industrials	17.52	14.88	2.64	21.22	-1.03

Source: Janus Henderson Investors, FactSet, as at 31 December 2019

Index: FTSE World Europe ex UK. Excludes Cash & Unassigned

Note: Representative of Global Industry Classification Standard sector breakdown, excludes cash & unassigned. The above examples are intended for illustrative purpose only and are not indicative of the historical or future performance of the strategy or the chances of success of any particular strategy. Janus Henderson Investors, one of its affiliated advisors, or its employees, may have a position mentioned in the securities mentioned in the report. References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase the security. The above should not be misconstrued as advice.

3 year sector attribution

Sector	Portfolio average weight %	Index average weight %	Active position %	Total return (Portfolio) %	Total effect %
Financials	17.75	20.18	-2.43	26.39	2.32
Consumer Staples	12.88	12.32	0.56	48.27	1.86
Materials	8.33	7.15	1.18	53.83	1.82
Information Technology	7.67	6.2	1.47	54.04	0.69
Communication Services	0.34	3.49	-3.15	-25.97	0.36
Real Estate	--	1.73	-1.73	--	0.08
Energy	5.42	4.65	0.77	18.04	-0.21
Consumer Discretionary	9.57	11.16	-1.59	18.55	-0.7
Health Care	14.52	13.62	0.9	29.47	-0.87
Utilities	0.65	4.13	-3.48	1.76	-1.07
Industrials	18.57	15.37	3.2	20.14	-2.36

Source: Janus Henderson Investors, FactSet, as at 31 December 2019

Index: FTSE World Europe ex UK. Excludes Cash & Unassigned

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1 year stock contribution

Top ten contributors	
Stock name	Contribution %
STMicroelectronics	1.14
ASML	0.78
Carlsberg	0.60
LafargeHolcim	0.55
UPM-Kymmene	0.47
Banco Santander	0.29
Nokia	0.28
Grifols	0.22
Telefonica	0.21
Akzo Nobel	0.21

Top ten detractors	
Stock name	Contribution %
Wärtsilä	-0.77
Galp Energia	-0.43
Bankinter	-0.42
Nokian Renkaat	-0.36
Trelleborg	-0.33
Sanofi	-0.27
United Internet	-0.25
KPN	-0.22
Richemont	-0.21
SIG Combibloc	-0.20

Source: Janus Henderson Investors, FactSet, as at 31 December 2019

Index: FTSE World Europe ex UK, Excludes Cash & Unassigned

Note: The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recently available disclosure period contact a Janus Henderson team representative.

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

3 year stock contribution

Top ten contributors	
Stock name	Contribution %
STMicroelectronics	1.11
Carlsberg	0.88
Mowi	0.86
Deutsche Börse	0.60
ASML	0.58
UPM-Kymmene	0.55
Smurfit Kappa	0.51
Daimler	0.49
AB-Inbev	0.48
Akzo Nobel	0.45

Top ten detractors	
Stock name	Contribution %
Trelleborg	-0.95
Nokian Renkaat	-0.92
Autoliv	-0.79
United Internet	-0.71
Wärtsilä	-0.67
Ryanair	-0.62
Vestas Wind Systems	-0.58
Svenska Handelsbanken	-0.51
Kering	-0.48
BIC	-0.48

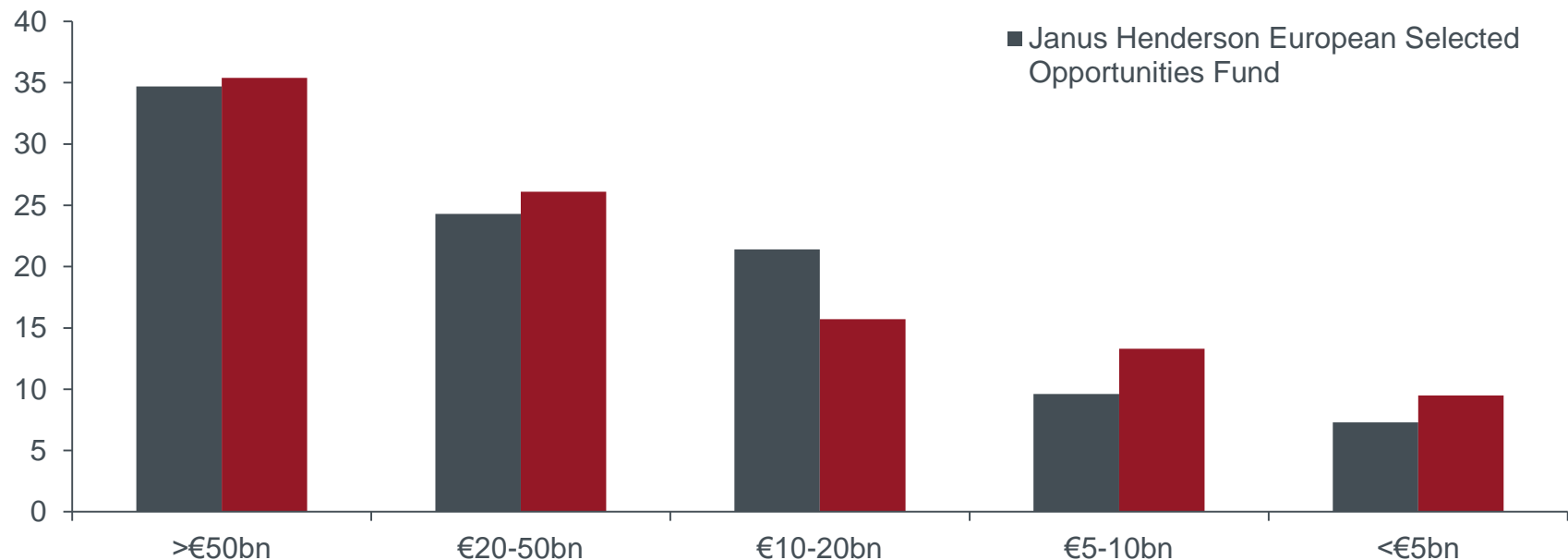
Source: Janus Henderson Investors, FactSet, as at 31 December 2019

Index FTSE World Europe ex UK, Excludes Cash & Unassigned

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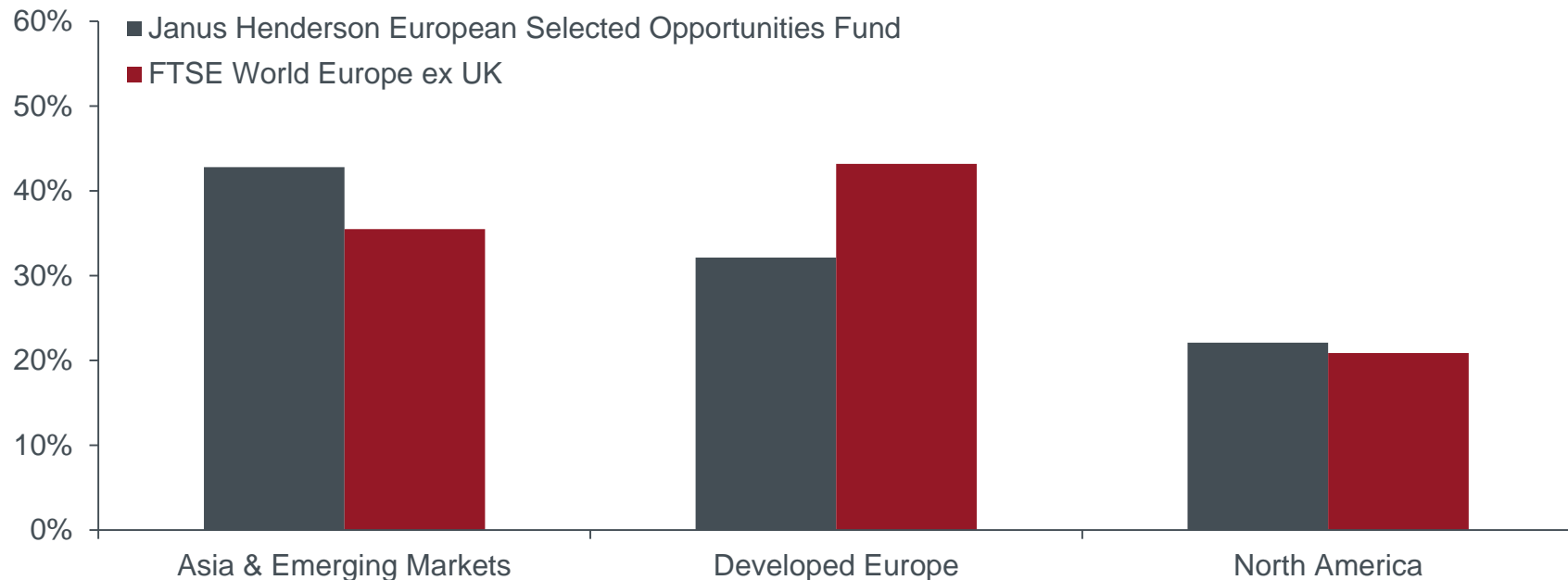
Market cap distribution



Source: Janus Henderson Investors, as at 31 December 2019

Note: Excludes cash

International exposure – revenue breakdown

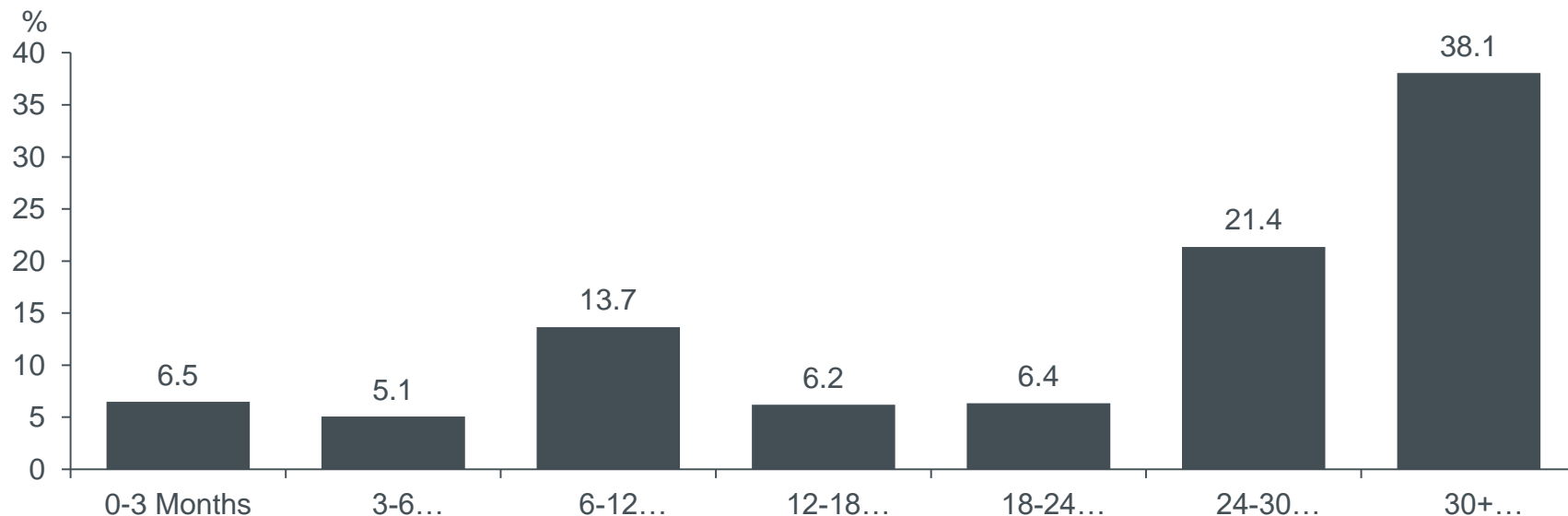


Source: Janus Henderson Investors, as at 31 December 2019

Note: Totals may not add up to 100 due to rounding

Portfolio vintage

Portfolio age profile



Source: Janus Henderson Investors, as at 31 December 2019

Note: The chart shows the portfolio activity and the holding period of current positions, based on when the stock first entered the fund

Additional information

Discrete performance and descriptions

Janus Henderson Selected Opportunities Fund

	December 2018 – December 2019	December 2017 – December 2018	December 2016 – December 2017	December 2015 – December 2016	December 2014 – December 2015
Fund (%)	22.8	-9.8	12.5	16.2	8.7
Index (%)	20.4	-9.5	17.5	19.7	5.3
Peer group benchmark (%)	20.5	-12.2	17.4	17.0	9.2

Index

FTSE World Europe ex UK Index

Index usage: Comparator

The FTSE World Europe ex UK Index is a measure of the combined performance of large and medium sized companies from developed and advanced emerging European stock markets excluding the UK. It provides a useful comparison against which the Fund's performance can be assessed over time.

Peer group benchmark

IA Europe ex UK

Peer group benchmark usage: Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Source: Janus Henderson Investors, as at 31 December 2019

Note: I Acc Share Class, net of fees, in sterling

Past performance is not a guide to future performance

Biographies



KNOWLEDGE.
SHARED

Biographies








John Bennett – Director, European Equities

John Bennett is Director of European Equities at Janus Henderson Investors and manages the Janus Henderson Continental European and Pan European long only and long short strategies. He has held these roles since 2011 when Gartmore was acquired by Henderson. Prior to Gartmore, John served as fund manager at GAM for 17 years. During this time he managed their flagship European long only and European equity long/short hedge fund. Prior to GAM, he was a fund manager at Ivory and Sime.

Mr Bennett has 33 years of financial industry experience.

Janus Henderson Pan European Equity team

Large cap			Mid cap	Small cap
Growth	Agnostic	Value		
				
Jamie Ross €1.6bn	John Bennett €6.9bn	Nick Sheridan €1.4bn	Simon Rowe €1.6bn	Ollie Beckett €1.7bn

Co-Managers/Analysts			
Redinel Korfuzi	Robert Schramm-Fuchs		Marc Schartz
	Tom O'Hara	Tom Lemaigre	Rory Stokes
			Julia Scheufler

Dealing, Operations and Marketing Support	
Richard Brown	Eleanor Cameron

Source: Janus Henderson Investors, as at 30 September 2019

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